



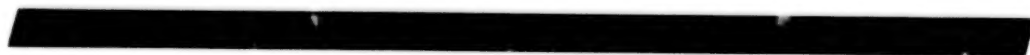
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FBIS-USR-94-069

28 June 1994



# ***CENTRAL EURASIA***



# FBIS Report: Central Eurasia

FBIS-USR-94-069

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## **Ukraine, Russia Sign Consumer Rights Protection Agreement**

944K1388B Kiev DEMOKRATYCHNA UKRAYINA  
in Ukrainian 28 May 94 p 3

[Article by Lidiya Ruta: "The Bungler is a Bad Workman Everywhere"]

[Text] The governments of Ukraine and the Russian Federation have drawn up an agreement concerning cooperation in the area of consumer rights protection. The agreement was signed by L. Bochyn, head of the Russian Federation State Committee for Antimonopoly Policy and Support of New Economic Structures and V. Yermakov, head of the State Committee for the Protection of Consumer Rights in Ukraine.

There was a press conference after the signing of the agreement.

—How will the agreement benefit the rank and file consumers? the journalists asked L. Bochyn.

—The signing of the agreement will untie our hands, so to speak, and will help to control our Russian, and your Ukrainian unscrupulous producers, to resolve problems of technical servicing of complex domestic technology such as radio sets, constructed in both countries, and guarantee spare parts, etc. In other words, normal, civilized forms of cooperation between countries will be in effect.

—But many feel that the law of Ukraine concerning consumers rights protection, let us say, is more oriented towards the interests of consumers, than the corresponding law of the Russian Federation. Won't these discrepancies become a stumbling block in consumer rights protection in Ukraine?

—In order for consumers of Ukraine and Russia to be an equal level, says L. Bochyn, we must first make the laws equal. But in the final analysis, it is not a matter of the constitutionality of the law but its realization; the specific protection of consumer rights. If we go through 16.5 thousand cases and they all turn out to the advantage of the consumer - this says something. Normally, any type of law requires a definite compromise between enterprises-manufacturers and structures called on to protect consumers.

—What do you expect from this agreement?, V. Yermakov was asked.

—Ukraine's main foreign economic partner is the Russian Federation. Therefore the absence of an agreement as to the regulation of processes that take place at consumer markets, problems connected with mutual supply of goods, and the guarantee of their quality and other issues, did not allow consumers of both countries to fully realize their rights with respect to legislation in force in Ukraine and Russia. There are such agreements now. The time has come to work out the mechanics, so that the agreement would work for the

people. We think that the acceptance of the agreement will help to improve the situation in the consumer market of Ukraine and Russia, answered V. Yermakov.

Well, we expect that now we will not be denied, let us say, service, repair or return of highly complex domestic technology on the grounds that it is made in Russia, and they will not ignore us when we complain about the poor quality of goods made in a neighboring country.

To the point, in agreements for active trade cooperation between member countries of CIS, the problem of protection of consumer rights against poor quality products, which the partner countries are supplying, takes on a particular concreteness. Russia has made similar agreements with the Kirghiz Republic and preparatory work is being carried out with the Kazakhstan Republic. Of course, Ukraine also will not be limited by its agreement with Russia. Because it is necessary to protect the consumer in the whole economic expanse of the member countries of the commonwealth. For now there is an agreement only with Russia. But the main thing is that it work. If, of course the sides which reached an agreement, are not bounded by declarations, but develop positive mechanisms for our protection and in their compromises between producers and consumers do not forget the basic rule: the consumer is always right.

## **Specialists, Consumer Goods Exported to Russia**

944K1388A DEMOKRATYCHNA UKRAYINA  
in Ukrainian 28 May 94 p 2

[Article by Mykola Dyvak: "Physician, First Heal Thyself, Or Why In Moscow They Like Nizhen Cucumbers, While in Ukraine They Rail Against High Prices"]

[Text] Two great ills have come home to roost in Ukraine: low wages and high prices. If minimal or average wages in Russia and Ukraine are compared at market rates of exchange, then the difference will be five, or even ten times to the benefit of Russia. Thus Ukrainians, more often than not, highly qualified specialists, searching for work go to Russia. But in Russia the food situation is more difficult, with food prices being four to five times higher than in Ukraine. That is why all who are not lazy buy products in Ukrainian stores and transport them en masse to Russia. They transport them by train, by airplane, by truck, and by passenger cars.

The peasants, who earlier usually transported into Russia early vegetables, fruits, and berries into Russia joining in this parcel business in large numbers. Currently they transport whatever they happen to have: potatoes, cabbage, beets, carrots, and home preserved vegetables and fruits. And other items as well. Here is how it works.

Tourist bureaus for such "tourism" have converted passenger buses to freight-passenger buses. Eight to ten people jointly rent such a bus, each takes about ten or eleven sacks of vegetables. At Moscow markets potatoes



cost not less than 400 rubles per kilogram, and cabbage, carrots, and beets are purchased at 700 rubles per kilogram, most expensive are pickled cucumbers - at two to two and a half thousand per kilogram. After converting prices from rubles to karbovanets, the price is four to five times higher than, say, in Kiev. But the cost of doing such business is not small. For transportation services everyone pays close to one and a half million into the account of the transport enterprise, and half again as much goes directly to the driver. For bus parking, for a place at the bazaar, bribes to the transport inspectors along the way - all these are additional costs. These costs consume over a third of the profits, but even so, in the end it turns out that each "tourist" traded for two million more than if he had sold his goods at home.

Now let us consider somewhat what this semi-domestic business means.

The fact that produce prices are four times lower does not at all signify that there is an overproduction of foodstuffs and a low production cost but first and foremost is indicative of the low purchasing power of the people. That is, what is being exported is what "I would eat myself - but I need the money." But the money earned in Moscow for the produce, as we can see even from the example of the commercial bus trip, does not come back to the producer. The lion's share is spent on all sorts of taxes. In that case how are the production costs recovered, especially for the production of the produce which is purchased in the stores? It is a good time mention the trillions in subsidies and non repayable credits which are allocated almost directly from the government's budget to the village. Not only foodstuffs are subsidized from the state budget but other goods in wide demand.

We amicably scold the government, which cannot contain prices, and which little considers that low prices for goods and services in the final analysis means low wages. Low wages, in turn, contribute to the reduction of the purchasing power and consequently a reduction in production. And until this vicious cycle is broken and until prices for goods and wages (because wages are nothing but the price of labor) do not approach world prices, then both goods and the labor force will be exported out of Ukraine.

But these are measures from the arsenal of healing therapy. So far, Ukrainian politicians are experimenting with the arsenal of shock therapy.

#### **Commentary on Motives for Kuchma Appearance on Russian TV**

944Q04154 Moscow NEZAVISIMAYA GAZETA  
in Russian 7 Jun 94 p 2

[Article by V. Portnikov, under the "Carte Blanche" rubric: "Leonid Kuchma Gets Air Time on Ostankino. Is It Better To Conduct a Ukrainian Election Campaign in Russia?"]

[Text] Last Sunday, viewers of television Channel 1 could have seen two leaders of the unions of industrialists: the Russian Arkadiy Volskiy and Ukrainian Leonid Kuchma appearing on a program called "Dialogue on the Air," whose guests as a rule are heads of new independent states and other formations on the territory of the former Soviet Union. Even though the organizers of the program repeatedly stressed that it is in no way connected with the presidential campaign currently under way in Ukraine, it was clear that Leonid Kuchma had acquired a brilliant opportunity to present his program appealing to an audience far broader than that of the Ukrainian TV.

It is not necessary to be a prophet in order to predict that in the next several weeks Leonid Kuchma will be a frequent guest on Channel 1. In Moscow, it appears, they now believe that it is specifically this politician who is best disposed toward Russia, the most tractable, and the most susceptible to pressure compared with other presidential candidates, and mainly compared with the present head of the Ukrainian state Leonid Kravchuk and the reformist economist Vladimir Lanovyy. This means that air time on Ostankino must become that sail which will accelerate the presidential campaign ship of the retired prime minister. This approach, however, also incorporates a serious political error. For Ukraine, television Channel 1 is a program coming from an alien territory and often, how would it be possible to say this gently, it is, if not discredited, at least received with some slight irony by consumers of political information. Naturally, the "Ostankino effect" was very well reflected in the results of the referendum on independence. There was a no more systematic critic of that decision than the TV liberated from party control, and the result? Therefore, in order to ensure the victory of Leonid Kravchuk at the polls, it is simply necessary to curse him more frequently on Ostankino TV and praise Leonid Kuchma more often. Even though true followers of the former prime minister will hardly be scared off by that.

Getting the possibility of presenting his program to an audience of millions, Kuchma, however, did not reveal the existence of such a program. For almost a year he repeated the same formula: An economic union with Russia is necessary. He condemned Ukrainian leadership for isolationism, as if forgetting that it was specifically he who failed to achieve any real agreement with either Gaydar or Chernomyrdin. The reason for that, naturally, is not any personal lack of desire to reach agreement with the Russians, but the unwillingness of the former prime minister and the military-industrial, lobby which brought him to the summit of power, to reform the Ukrainian economy. It was under Kuchma that Russia, simply speaking, had nothing to talk about with Ukraine. The appearance of Kuchma on the television screen in the company of Arkadiy Volskiy, a respected politician who proposed for Russia specifically that path which was used "to reform" the Ukrainian economy, who was still not supported by the voters, demonstrated that one must not expect reforms should

Leonid Kuchma regain power. In that case, what occurs? Economic union with Russia? But using what formula? The Belarus one does not appeal to Kuchma: "Nothing is working out for us with regard to them," he confessed in a disappointed way. All of the other formulas turn out to be strictly declarative. Who but Leonid Kuchma himself, who in the final days of his tenure travelled almost incognito to see Viktor Chernomyrdin with a request for help and was not understood in Moscow, could explain that better than others to Leonid Kuchma?

Nevertheless, Kuchma actually did reveal his principal aim in the TV appearance, beside the illusory economic union. Preservation of big industry, indicating a lack of understanding of objective laws of economic reforms in favoring such preservation, which was noted even by the television viewers—that was expressed and belabored by the long-term party secretary of the famous Yuzhmash. There is little doubt that if he is elected president, Leonid Kuchma will preserve that industry at any cost.

But what will happen to Ukraine?

## ECONOMIC & SOCIAL AFFAIRS

### Impact of Yeltsin Edicts on Economic Reform Examined

944E0966A Moscow KOMMERSANT in Russian  
No 19, 31 May 94 pp 3-5

[Article by Nikita Kirichenko, Anastasiya Matveyeva, Aleksandr Privalov and Andrey Shmarov: "These Edicts Have a Place in the Package"]

[Text] At the very beginning of last week, on Monday, Boris Yeltsin frankly and impartially qualified the state of the Russian economy as catastrophic. This declaration would have seemed quite penetrating—now you cannot affect anyone with stronger expressions—if the president had not added that, as a counterbalance to the economic catastrophe, he had signed a package of six edicts on economic matters. At first, it spread quickly that the edicts abolished all restrictions on foreign trade. At the same time, rumors spread just as quickly that the edicts imposed restrictions on an increase in the enterprises' consumption fund and the issuing of cash. Due to these rumors, the dollar's cash exchange rate rose at once by 20 points.

As far as the complete liberalization of VED [foreign economic activities] goes, this was not confirmed. As for the cash—this was confirmed.

#### The Abolition of Export Quotas and Licenses

The president's Edict on the Abolition of Quota-Setting and Licensing for Deliveries of Good and Services for Export was signed exactly a week after the Minyust [Ministry of Justice] had registered the MVES' [Ministry of Foreign Economic Relations] order approving the instructions on the procedure for that same quota-setting and licensing.

The KOMMERSANT correspondents interested in this incident were unable to uncover the persons responsible for promulgating the edict (except for the president himself, of course). The head of the president's group of experts, Aleksandr Livshits, stated that his subdivision did not participate directly in the edict's drafting. The government staff informed us that they had read the edict for the first time in ROSSIYSKIYE VESTI. The Ministry of Foreign Economic Relations' reaction was reflected in the perplexed statement of the chief of the Export-Import Operations for State Needs Main Administration, Andrey Dogayev: "I would like to hope that all the consequences of this document's adoption have been thoroughly studied and accepted after consultations with the sectorial ministries and the regional administrations. It would be undesirable to have a repetition of the situation which arose with the adoption of the new import customs tariff." In the Minekonomiki [Ministry of Economics], the specialist sought could not be found, but, after talking things over, KOMMERSANT's experts came to the conclusion that Mr. Shokhin's department does not issue such crude documents.

And, in fact, the edict does not wear the crown of a bureaucratic creation. It consists of only two points, but they contain so many obscurities and contradictions that the drafting of the package of its supplementing documents will require serious and skilled work.

The questions begin right with the edict's first point. It says that quota-setting and licensing shall be maintained for goods and services "to be exported in accordance with the Russian Federation's [RF] international obligations." In the opinion of the deputy chief of the Ministry of Foreign Economic Relations' Export-Import Operations for State Needs Main Administration, Mikhail Gaykazov, this makes it possible to interpret it as an indication of the fact that the talk is about goods to be shipped to other countries in accordance with intergovernmental agreements. But it is most likely that this is not so. As it seems to the experts, the non-tariff regulation of export shipments, according to the logic of Russia's relations with the YeS [European Union—EU] and the MVF [International Monetary Fund—IMF], was supposed to be maintained only with respect to those goods which have quotas set by agreements only with these organizations.

Further, in the first point, astonishment is being evoked among knowledgeable people by the fact that the quota-setting and licensing have merged here, as it were, into a single whole, which, however, is also not surprising for the average citizen stupefied from the mass of new economic terms. At the same time, these are "two big differences." And the one thing may well exist separately from the other.

Quota-setting is an attempt to reserve for the treasury the guaranteed receipt of money through the sale of export quotas. Under current market conditions, this source has begun to dry up. This is why an attempt is being made to plug the holes in the budget, by abolishing certain export preferences.

However, export licensing is a means of ensuring the state's strategic interests. It is used as a lever for state regulation of foreign economic activities throughout the entire country, even with the most liberal approach to the economy. So that, to abolish licensing and to say that this is very liberal, is somewhat strange.

KOMMERSANT's experts decline to make long commentaries with respect to the edict's second point because of its complete internal contradictoriness. They suggest that the government "abolish preferences for the exporting of goods and services for federal state needs (except for goods to be exported to the countries of the near abroad in accordance with intergovernmental agreements), with the exception of preferences granted in accordance with the RF Law on the Customs Tariff...." But this law contains one small point, according to which it is precisely these preferences which the government is granting.

Finally, it is symptomatic that the edict passes over in silence the special exporters—and thereby preserves

their right to exist. The Ministry of Foreign Economic Relations explains the necessity of maintaining the institution of special exporters by the fact that, with their help, it is easier to maintain prices at the highest possible level, not letting them drop to the level of dumping prices, and also to exercise control over the repatriation of currency earnings. The next logical step on this path is a further reduction in the number of special exporters: after all it is easier to control one than several.

### Taxes and Cash

The subject of taxes is, in any event, no less confused than the preceding one. Part of this subject can be interpreted two ways, part looks too declarative and part is simply incomprehensible. However, there are also rational kernels.

The first thing which is incomprehensible is the most important: by how much, actually, is it being proposed that taxes be reduced? If the text of the Edict on Certain Matters of the Tax Policy is interpreted literally, then it follows from it that it is being proposed that the rates for the NDS [Value-Added Tax—VAT] and the profits tax be lowered by 10-20 percent. Ten percent of the current VAT rate (including the special tax) is 2.3 percentage points and it is 3.8 points for the maximum rate for the profits tax. Thus, the president's proposal can be reduced to bringing the corresponding rates down to 20.7 percent (the VAT) and 34.2 percent (the profits tax). This is undoubtedly pleasing, however, strictly speaking of course, this is ridiculously small: all the same, the granted break assumes rates higher than last year's.

Also vague is the budget at the expense of which the profits tax will be reduced—the federal or the municipal. And such confusion may cause very serious squabbles among the fiscal organs.

Moreover, upon closer examination, even this benefit may be eaten away—through an increase in the norms for other taxes. Indeed, it is recommended in the edict that the taxation of the citizens' personal incomes be increased, along with the taxes on the property of the public and legal persons.

But the president could also have made a slip, having in mind a lowering of the rates not by percentages, but rather, by *percentage points* (a quite common slip of the tongue). And so then the edict's implementation may exert a fairly serious normalizing influence on the investment climate.

In fact, let us take our reference investment plan (for details, see the investment review in KOMMERSANT No 17) and assume that the VAT is set at the level of 13 percent (minus 10 percentage points), while the profits tax is set at the level of 18 percent (minus 20 points). In this instance, the investment conditions change quite radically.

Let us recall the plan's basic features. The total amount of investments is 500 million rubles [R], the time from

the investment of the money to the production of the first output is 6 months, the number of workers is 201 persons (for the evaluation of the reference plan, interference in the form of preferences for small enterprises was not "applied"), the average wages are R300,000 per month, and the current return on capital is 40 percent (which corresponds approximately to the industry average).

Calculations indicate that, under the existing tax conditions, the pay-back period for this plan comes to 17 months, the internal profit norm (the indicator which characterizes the maximum value of the resources which can be used for the plan's realization) is 739 percent and the investments' profitability (over the life of the plan) is 92 percent.

If the taxes are lowered by 3-4 percent (the literal interpretation of the president's edict), then the pay-back period decreases to 14 months, the internal profit norm increases to 769 percent and the investments' profitability increases to 120 percent.

**Table 1. Efficiency of the Reference Investment Plan With Various Taxation Conditions**

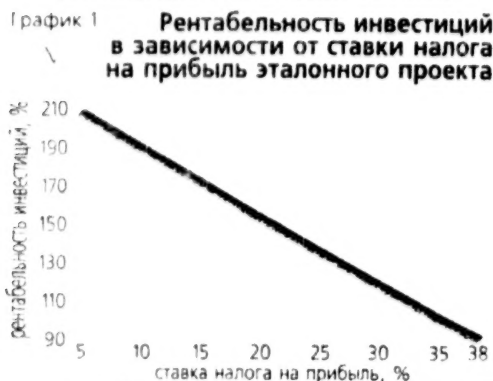
|                            | Taxation Conditions                            |                          |                          |   |
|----------------------------|--|--------------------------|--------------------------|---|
|                            | Existing Conditions (VAT—23%, Profits Tax—38%) | VAT—20%, Profits Tax—35% | VAT—13%, Profits Tax—18% | VAT—13%, Profits Tax—18%, Plus Accelerated Depreciation |
| Pay-Back Period            | 17 Months                                      | 14 Months                | 12 Months                | 11 Months   |
| Internal Profit Norm       | 739%   | 769%                     | 986%                     | 1,012%  |
| Investments' Profitability | 92.1%  | 119.6%                   | 245%                     | 254%  |

However, with a radical lowering of the basic taxes, the pay-back period decreases to 12 months, the internal profit norm increases to 986 percent and the investments' profitability increases to 245 percent (see Table 1). It may be noted that, while the reduction of the profits tax affects mainly such indicators of efficiency as the investments' profitability and the internal profit norm (see Chart 1), the decrease in the VAT is reflected first of all in the lowering of the current demand for working capital (see Chart 2).

The effect, as we see, is considerable. However, it is unfortunate that, even if the president had percentage points in mind, then, in this instance as well, even a good undertaking may fall through. The Duma may block it—for quite understandable fiscal reasons.

It is true that, in this instance, the administration has some kind of counterplay. A hint of this is contained in the tax edict: the talk is about accelerated depreciation,

Chart 1. The Investments' Profitability in Relation to the Reference Plan's Profits Tax Rate



Key:—1. Left-Hand Column: the Investments' Profitability as a Percentage—2. Bottom Row: Profits Tax Rate as a Percentage

the mechanism of which the government is instructed to develop over the course of 2 months. Accelerated depreciation is good, first, because it makes it possible to reduce profit and, correspondingly, the tax payments, thereby improving the investment situation (see Table 1) and, second, because its use does not require legislative formalization. It is true that what is being talked about in the edict is accelerated depreciation in the high-technology sectors, but who will interfere in the event that this mechanism is applied to other industries?

We would note, however, that our scenario for the "good" (in the sense of investment stimulation) version of the edict, as it were, leaves outside the framework the budget result of the easing of the tax climate. And this is hardly proper. It is possible, of course, to argue idealistically about the unrestrained growth of business activity and the increase in the tax base, which would follow this

Chart 2. Increase in the Demand for Working Capital for the Reference Investment Plan in Relation to the VAT Rate



Key:—1. Left-Hand Column: Millions of Rubles—2. Bottom Row: Number of Months—3. Lines Represent the VAT at Various Rates

easing, which would make it possible to cover the tax arrears. But, to be honest, even if this occurs, it will not be right away by any means.

This is why the budget effect, both for the Duma and for the president's economic experts, is far from being the last thing. And it must be noted that the drafters of the package of edicts understand this.

They also understand the fact that simply introducing new taxes and raising the rates will not solve the old problems. Thus, it is necessary to do a better job of collecting the already existing taxes. This circumstance has been taken into consideration in other edicts from the package—the Edict on Additional Measures for Normalization of Settlements and Strengthening Payment Discipline in the National Economy and the Edict on the Implementation of Integrated Measures for the Timely and Complete Submission to the Budget of Taxes and Other Obligatory Payments.

These documents contain quite a few repeats of already existing norms or variations on their theme (for example, regarding the ban on the opening of several current accounts), which have been invoked, apparently, to demonstrate the seriousness of the authorities' intentions. But there are also new restrictions. The talk, first of all, is about the tax organs' right to withdraw funds without authorization from enterprises' currency accounts using the procedure for paying off arrears in obligatory payments (in essence, this point legitimizes already available TsB [Central Bank] and Minfin [Ministry of Finance] instructions on this matter), as well as about introducing a procedure for prioritization in the use of funds from a current account.

At the same time, if, in the first instance, the interests of primarily exporters are affected, especially of those not burning with a yearning to run and to pay taxes, then the second circumstance is nothing new and it affects absolutely all managing entities and does so very seriously.

And, really, about what does the Edict on Additional Measures for Normalization of Settlements... talk? It directs that all legal persons may obtain cash in a bank "... in an amount not exceeding 5 percent of the average daily receipts of funds into their current accounts for the preceding quarter, including for the payment of wages...—in the amount of 5 times the minimum monthly wage, proceeding on the basis of the overall average listed number of workers."

So, if you please: they thereby twisted the "dough" if not into a ram's horn, then very tightly. Indeed, as it turned out—previously, the servicing bank issued exactly as much cash as was requested and it was the client's business to handle this cash in such a way that the controlling organs did not catch on and did not qualify it as personal income payments. There were lots of ways to do this—from the old "for purchasing agricultural products" to payments to their own associates for leasing their motor vehicles and purchasing vouchers at a high



price and selling them at a low price. Now, however, the enterprises' money circulation plans have been frozen.

Of course, it is possible to obtain cash due, but only by transferring money to personal accounts. But this means that it is necessary to give instructions to the bank with an explanation of the purposes and, naturally, to whom the money is being transferred, i.e., strictly speaking, to illuminate for the tax inspectorate not only one's own bookkeeping, but also the bank's.

Of course, there also remain such old tried and true methods as the use for money laundering of partners who have a business involving "dough" such as, for example, retail sales. However, this channel will work only as long as their use of cash registers remains uncontrolled. If they are forced to use the cash registers all the same, then then stream of "dough" will momentarily dry up. In the latter event, reliable money laundering will be possible, very likely, only through offshore companies.

#### A Public House—Sad Words

The Edict on the Reform of State Enterprises, which is also part of the package under examination by us, has been called into being by lamentable circumstances. Apparently, it signifies by itself the overdue start of the government's long-promised campaign for the restoration of the *manageability of state property*. It must be acknowledged that the grounds for the start of such a campaign are more than adequate. Over the last few years, the press has been overflowing with proof of the fact that the management of the vast majority of state enterprises uses them as its own private domains, without hardly a glance at their nominal owner, the state. The current managers of the state enterprises are enjoying all the rights of an owner, without being burdened by an owner's responsibility—and, on the other hand, also not burdened by any other external responsibility.

The edict, about which we have been talking, will begin to restrict these managerial freebooters. Let us present its contents in brief. As of the moment of the edict's promulgation, it stops the establishment of new federal enterprises with the allocation to them of property based on the right of complete economic authority. Some of the currently existing federal enterprises will be eliminated—and *public* plants, factories or industries will be established on their basis. It is clear from the edict's text that this action should be considered a punishment: considered as grounds for making such a decision will be the lack of profit based on the results of the last 2 years, the indiscriminate use of allocated federal credits or the "improper" use of real property—in other words, the inept or illegal management of an enterprise. Just what does the punishment consist of? How will a "public" enterprise differ from a state enterprise?

Property will be allocated to it not based on the right of complete economic authority, but rather, on the right of operational management, i.e., it will be able to implement the alienation, leasing or pledging of this property

only by the consent of the government or an organ empowered by it. A reader of the edict will have a doubt: does a current state enterprise really have the right, for example, to lease its capacities without the approval of the GKI [State Committee for State Property Management]? Indeed, it does not. Thus, does the edict not declare that it is the duty of the "public" enterprises simply to observe the obligatory laws a bit more strictly than everyone observes them? Let us read on—the suspicion gets stronger.

Specified in the charter of a public enterprise is the personal responsibility of the manager for the results of economic activities—but really, is there nothing at all mentioned in the current contracts with the managers of state enterprises about responsibility for results? A public enterprise will be obligated to use federal credits for a specific purpose—but is a current state enterprise also really not so obligated in the least?

The only, perhaps, substantial harsh item in the edict is this: the procedure for distributing profits will be fixed in the public enterprise's charter. Although, if you think about it, even here there is nothing to be especially feared: first, what difference does it make how profits are distributed, if there have not been any for 2 years all the same; second, it depends on which procedure will be fixed....

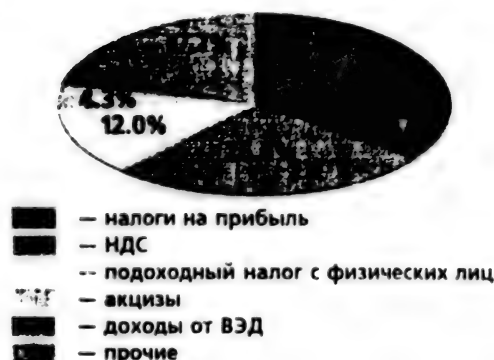
The newspapers have already managed to inform us that many state enterprise managers are inclined to view the change into a number of public plants not as a punishment, but rather, as a long-desired goal. Our cursory perusal of the edict, it would seem, confirmed these managers' opinion: there is seemingly nothing terrible in the title "public" and you do come under the wing of the budget all the same. But this is only at first glance. But read more attentively—you will see that the public plants have not been promised any kind of special protection.

Judge for yourself. That a public plant is obligated to use federal funds for a specific purpose is stated in black and white, but that these funds will be allocated in any adequate amount is not stated even between the lines. That a public plant is not allowed to obtain credits without government guarantees is stated, but that the government intends to grant such guarantees is never mentioned. But if a public plant does not use any part of the property entrusted to it for operational management or uses it other than as intended, then the government will take the afore-mentioned property away from it.

So, for an enterprise, the treasury's guardianship will turn out most likely to be more of a hindrance than a substantial help. And, for far-sighted managers, now is the time to take advantage of the loophole left in the edict: according to the last paragraph of point 4, a decision about converting to public enterprises "may not

Chart 3. Structure of the Consolidated Budget's Revenues in the First Quarter of 1994

График 3 Структура доходов консолидированного бюджета в I квартале 1994 года

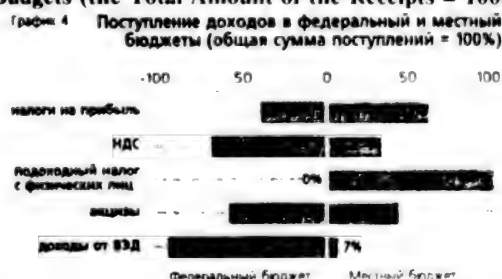


Key:—1. Profits Tax—2. VAT—3. Income Tax from Natural Persons—4. Excise Taxes—5. Revenues from Foreign Economic Activities—6. Other Sources

be made with respect to a federal state enterprise which has not been prohibited from privatizing by the State Privatization Program... and which has submitted using the established procedure, prior to 1 July 1994, an application for privatization." Hurry, gentlemen, submit the applications! The train is departing!

On the other hand, it is possible that we are hasty with our conclusions. It is necessary to wait a month or two—and it will become clear to everyone whether the changing of enterprises from state ones to public ones is a reward or a punishment. Prior to 1 July 1994, the government will approve a Model Charter for a public plant (factory or industry) and, prior to 1 August, it will determine the "procedure for the planning (finally!—KOMMERSANT) and financing of public plants (factories or industries), including for the maintenance of social-sphere facilities allocated to them, for the setting

Chart 4. Receipt of Revenues into the Federal and Local Budgets (the Total Amount of the Receipts = 100%)



Key:—1. Left Side: Federal Budget—2. Right Side: Local Budget—3. Profits Tax—4. VAT—5. Income Tax from Natural Persons—6. Excise Taxes—7. Revenues from Foreign Economic Activities

of prices for the goods (work or services) produced by them and for their budget financing, as well as the wages for their workers." So let us read these documents and all doubts will disappear and everyone will find out at the same time just what the "planning of plants" means.

KOMMERSANT's experts, however, are ready to state their own assumptions even now. It seems to us that the only real assistance to the public plants on the part of the treasury will be just the maintenance of the plants' allocated social, cultural and communal facilities; after all, if the plants, especially those which form cities, go bankrupt (you will remember—2 years without profits), then the budget will have no choice—it will maintain the orphaned social, cultural and communal facilities by whatever means are necessary. As for all the rest, there will be plenty of planning and more than enough price-setting, but there will be no financing to speak of.

To console the reader, however, let us make one more assumption: if this edict works at all, it will do so very, very slowly. Why? Because this happy moment is absolutely supposed to be preceded by the approval of the list of enterprises subject to change into public ones. And our government has a very hard time producing this genre—the lists. We would remind you that the lists of VPK [Military-Industrial Complex] enterprises prohibited from being privatized (and those lists were, to a certain extent, similar to this one) took 9 months to prepare, instead of the 3 months prescribed by the presidential edict. But the lists of future bankruptcies are being prepared continuously—there is no end in sight. Consequently, we will have to wait and wait for the list of potential public plants—indeed, even the deadline for their drafting has not been set by the edict.

#### The Adventures of the Highway Fund

Undoubtedly, Edict No 1008, On the RF Federal Highway Fund, occupies a special place in the package of presidential edicts by virtue of its reformatory incandescence and the sharpness of its statements.

Without lapsing into needless pathos, it must be said that, since the beginning of 1992, the uneasy fate of the RF Federal Highway Fund has been linked partly to the fate of the RF itself and its reformatory thinking. Following its great Motherland, the Federal Highway Fund has endured the periods of birth, legislative formalization, amendments to the latter, consolidation and, finally, a separate article.

Let us explain what we are talking about. At the beginning of 1992, when the main task for Gaydar's government was to show to the arbiters from the IMF a state budget with an acceptable deficit, the highway fund, along with its entire deficit, was isolated as a separate industry. The old taxes from motor vehicle owners (50 kopecks per unit of an engine's horsepower) simply could not cover the budget expenditures for road maintenance and repair.

When the fund became independent, they began to see to its revenue portion. For example, a fee was imposed on legal persons when a motor vehicle was purchased. Thus, the fund even began to prosper, while Boris Fedorov did not note this at the end of 1993.

The funds assets were immediately "consolidated" into the budget. However, inasmuch as the last thing Boris Fedorov wanted was to spend the money for road maintenance and repair, the special-purpose fund stopped being a special-purpose one. However, just a very little bit of time passed and everything became fine again: the new stage of reform "from above" determined that the fund's place is in the budget, but as a "separate article."

*Thus, KOMMERSANT's experts have carefully read in succession all six edicts of the presidential package. It is precisely the recognition of these diverse documents as a package which makes it possible to assess the entire extent of the disparity between the authorities' reformatory potential and the catastrophic state of the economy declared by the president himself. To reach the one reasonable, even if vaguely worded, idea on the restriction of illegal "dough," it is necessary in this package to wade through a pile of bureaucratic twaddle which is burdened by a claim to profundity.*

*The continuation of the series of presidential edicts has been promised. Perhaps they will compel us to change our opinion about the entire "new wave of reforms"—but certainly not about the first six drops.*

#### Upgrading of Aging Air Fleet Viewed

944E0978A Moscow GRAZHDANSKAYA AVIATSIYA  
in Russian No 6, Jun 94 pp 8-9

[Article by V. Goryachev, chief of the GosNII GA [State Civil Aviation Scientific Research Institute] and doctor of technical sciences, and I. Samoylov, chief of a division and candidate of technical sciences: "What Kind of Aircraft Will We Be Flying?"]

[Text] Civil aviation is going through difficult times in Russia today. The principal indicator of this is the decline in the volume of air service on domestic routes. However, according to predictions by specialists, stabilization of the effective demand for air transport should take place by the end of 1995, after which it is expected to increase at the rate of about 6 percent annually. The 1992 level may be reached by the year 2000. With respect to the more distant future, the requirements for air transport in 2010 may reach 200 to 230 billion passenger-kilometers, that is, they will exceed the highest level of 1990 (159 billion passenger-kilometers).

Naturally, the question arises whether it will be possible to meet the effective demand for air service with the fleet of airplanes and helicopters that is available. Analysis shows that roughly by the beginning of 1998, airlines will

not be able to cope with the transportation volume unless they undertake substantial renovation of their fleet of aircraft.

However, this is not a simple process, as we know. It requires sizable material outlays, which far from all air carriers can afford. For this reason, one of the conditions for survival of the sector in recent years has been solution of the problem of maintenance on the airplanes and helicopters in operation. The State Civil Aviation Scientific Research Institute has conducted a great deal of work, as the result of which the service life of Il-62M, Tu-154B, and Tu-134A airplanes and Mi-2 and Mi-8 helicopters has been extended. Some 490 million rubles [R] were spent on this work, producing an efficiency valued at R118 billion. If this work had not been conducted, 11 percent fewer Il-62M, 7 percent fewer Tu-154B, and 42.5 percent fewer Tu-134A aircraft would have been operating on air routes in 1994.

Nevertheless, the problem of replacing obsolete aircraft with new ones has not lost its urgency. Resolving it means maintaining the competitiveness of domestic airlines not only in the world air service market, but the domestic market as well.

What does our fleet of civil aircraft consist of today? Roughly 1,650 mainline aircraft. At the same time, 30 percent of mainline routes are being served by aircraft which are operating beyond the limits of their initially assigned service life. By 1996 we will have to write off 12 to 15 percent of the mainline aircraft, and by the year 2000, more than half of them. Some 20 percent of mainline flights are made in "modern" Il-86, Yak-42, and Tu-154M aircraft which have been in operation for over 10 years and have become outdated.

Our fleet of aircraft includes several thousand airplanes for local air routes, the overwhelming majority of which are An-2's. There are 2,100 helicopters, 97 percent of which are obsolete Mi-8's and Mi-2's.

The serviceability of the aircraft is not up to standards. For example, the degree of serviceability of the fleet of Il-86 aircraft is 56 percent, whereas the norm is 66 percent. The annual flying time of one mainline aircraft is no more than an average of 2,000 hours. The best of the aircraft on local routes—the L-410 and An-28—are actually idle because they lack spare parts.

So in this state of affairs, the answer to the question of whether or not we need to update our domestic fleet of aircraft is unequivocal. And the renovation has already begun. We can even name a specific date—14 July 1993, when the Il-96-300 made its first scheduled flight. But the renovation process was begun roughly 5 years late...

The principal types of airplanes and helicopters which should replace the obsolete aircraft have been more or less determined. They include the long-range mainline

aircraft—the Il-96-300 and its modifications, the Tu-204-300D, and in the more distant future—the Il-96-200 and the Tu-304; the medium-range mainline aircraft—the Tu-204 and its modifications and the An-218; and the short-range mainline aircraft—the Tu-334-100, Il-114M, and Yak-242. In the cargo aircraft class, they include new modifications of the Il-76, the An-70T or Tu-330, the 5-metric-ton MiG-110 or the Tu-130, and cargo versions of the Il-96, Tu-204, and Il-114.

In the near future, the Il-114 and its modifications, the An-38, or the Be-32 will be available for local air routes. Later on a new type of aircraft may make its appearance—a regional 40- to 50-seat aircraft with a turbojet engine which will take its place between the much slower Il-114 and the much more spacious Tu-334 on routes of up to 2,500 kilometers with relatively low passenger flows. We are linking development of the helicopter fleet with the appearance of helicopters such as the Mi-38, Mi-34V, Mi-26K, Mi-84, and Ka-62.

The objective requirements to update Russian airlines' fleet of aircraft as a whole are so great that it is hard to say which classes of new airplanes and helicopters may turn out to be more assailable and may not find their place in this market. At present, there are design proposals for dozens of new aircraft for business flights, general aviation, and various classes of load-carrying capacity.

But this is a potential market. The real market is determined not so much by an objective requirement as by actual effective demand. In order to characterize this market, we will cite several figures. In 1993 the various airlines and enterprises in Russia purchased 182 new aircraft, 71 airplanes and 111 helicopters for a total of more than R250 billion. State investments account for a little more than 10 percent of this sum, and the funds of enterprises and local financing sources account for the remainder. Some 60 percent of all airplanes and helicopters, including 12 Tu-154M aircraft, were acquired by nonstate enterprises for operation, leasing, and resale.

At the same time, many state airlines do not have enough money to buy new aircraft after repair. At the end of 1993, 50 airplanes and 80 helicopters were in repair plants. They had been repaired, but were not redeemed; the airlines owe a total of R12 billion to the repair plants.

The appearance this year of aircraft manufactured in the West, the Boeing 737 in particular, is a very important factor. It attests to the beginning of a fundamentally new stage in the development of Russian civil aviation—real competition between domestic and foreign aircraft in the domestic market. And this ought to be viewed very seriously.

The point is that the prices of aircraft being turned out by Russian plants are already close to those being asked for Western aircraft which have been in use. For example, in June 1993 the price of a Tu-154M was about R3 billion. Today it is over R6 billion. At the same time, according to the Western press, more than eight or

10 DC-9 aircraft of various modifications which were formerly in use were offered for sale or lease in July and August 1993 from 750,000 U.S. dollars (DC-98-10-20)[sic; presumably figure should be "9," not "98"] to \$6.2 million (DC-9-50), that is, an average of \$2 million to \$3 million. At that time, when the average monthly lease was about 1 percent of the price of the aircraft, airlines would have paid \$20,000 to \$30,000 per month for a lease. Raising this by a factor of 1.5 to take into account the expenses for spare parts, inasmuch as the aircraft are not new, we obtain \$30,000 to \$45,000 per month. With the existing rates for passenger and cargo services, operation of these aircraft with a profitability level of up to 30 percent is entirely realistic. And their advantages in fuel efficiency (25 grams per passenger-kilometer, compared with 30 grams per passenger-kilometer for the most economical domestic aircraft, the Tu-154M), reliability, the opportunity to fly 6 to 10 hours per day, the organized system of technical support, and so forth make these aircraft very attractive for Russian airlines. Operation of the DC-9 aircraft also opens the way for newer and more advanced aircraft of the MD-91 (82-88) type, which are now being offered at \$15 million to \$24 million.

The new nature of the aircraft market also determines the new emphasis on technical and economic requirements for Russian aircraft and the relationships between buyers and sellers.

High fuel efficiency continues to be the principle requirement for new aircraft at present, inasmuch as it makes it possible to substantially reduce expenses for aviation fuel, both in absolute and comparative measurement.

The next most important requirements are reliability and safety, the service life, and the efficiency of ways and means of monitoring the condition of the aircraft in operation, inasmuch as this combination of characteristics determines the ability to reach a high level in the turnover rate of financial resources and in prevention of potential losses in aircraft accidents and incidents.

Establishment of a system of after-sale support for an airline by the manufacturing plant is an important condition; this includes training of crews and technical personnel, providing the necessary equipment for technical maintenance bases, a steady supply of spare parts, and so forth. And a requirement that is even more important is an acceptable price and payment conditions.

All these requirements should be stipulated and coordinated in the contract for delivery of an airplane or helicopter. The contract should also provide for the economic responsibility of the supplier to the buyer for any loss to the latter as the result of failure to meet the requirements agreed upon, as well as an efficient system of arbitration or legal solution to conflicts.

The State Civil Aviation Scientific Research Institute considers its duty to provide for maximum possible efficiency in the process of updating the fleet of aircraft.



To achieve this, the plans for its work include comprehensive studies on the certification of new airplanes and helicopters; the development of updated national aviation regulations, combined with the standards in effect in other countries; analysis of Russian airlines' requirements for new aircraft; study of the domestic market for the sale of aircraft manufacturers' output; and determination of the most efficient use of funds being allocated from the state budget to develop aviation equipment. In order to determine precisely what the requirements are for aviation equipment and the air carriers' requirement for one type of aircraft or another, the institute distributes specially developed questionnaires to aviation enterprises and airlines each year. It is very unfortunate that certain managers in local areas are in no hurry to respond.

Russian civil aviation is still a long way from a real market. But we have already familiarized ourselves with certain elements in a market economy and we realize: the market does not forgive blunders, it must be studied, and we need to prepare for it. So it turns out that the change in economic policy in the sector has coincided with another period of no less importance in its life: for replacing the obsolete equipment with new equipment. But there will be no directives from "the mighty person outside" today. By considering their own requirements and material capabilities, the airlines themselves will determine the types of aircraft, the number needed, and the conditions under which they may be obtained. By making the right choice, they not only strengthen their financial and economic activity, but they will be able to more fully meet the public's requirement for air service, and what is no less important, to improve the quality of these flights. But a mistake can cost them dearly. It is entirely possible that it may turn out to be their last one. Such are the laws of the market.

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#### **Gaydar on Yeltsin's Edict on Economic Reforms**

944E0938A Moscow KUR. INTY in Russian No 102,  
1 Jun 94 p 2

[Commentary by Yegor Gaydar, director of the Institute for Economic Problems of the Transition Period, as reported by Yelena Vishnevskaya: "Will a Crash Delay the President's Sweep?"]

[Text] Being discussed in business circles are the possible consequences of the measures pouring out of the package of presidential edicts and governmental decrees. There are still a few documents pending. But what will be the effect of the already signed edicts? There have been quite a few skeptical and even deprecatory comments among opinions about the already promulgated edicts. But here is the opinion of the director of the Institute for Economic Problems of the Transition Period, Yegor Gaydar.

On the whole, they can only be welcomed. The decisions contained in them were discussed for a long time within the government and were the subject of fierce debate and

opposition. Among the most serious decisions involving direct action, for which there are no legal obstacles in the way of their implementation, is the document on the liberalization of foreign economic activities and the abolition of quota-setting and licensing. This is a quite revolutionary decision. In my opinion, it had already become immanent at the end of 1993 and could have been implemented as of the beginning of this year.

Last fall, with enormous difficulty, we implemented the decision to reduce substantially the volumes of quota-restricted and licensed commodities. To be honest, I will not believe in this decision until I see it implemented in practice: I know only too well what serious groups of interests the abolition of quota-setting and licensing touches and what substantial opportunities for the mobilization of illegal revenues are associated in our country, just as in any country carrying out such a large-scale program, with these changed standard acts.

A substantial factor which prompted at this time the adoption of so radical a decision is the extreme impudence of many exporting sectors in the use of the breaks and privileges on export tariffs, which was displayed at the beginning of 1994. This matter has traditionally been the subject of haggling—export tariffs or centralized deliveries of fuel and energy resources? Over the course of all of 1993 there was constant discussion about what portion of the exportable gas or oil should go for the federal budget's needs.

The general plan was something like this: Around half of the exportable resources would be used for the budget's needs and then the other half would be exempt from the export tariffs. In 1994 a paradoxical situation arose when the producers were exempted from the export tariffs and they considered it absolutely unnecessary to deliver products for budget requirements. As a result, the budget's revenues from foreign economic activities, toward an increase in which, to a large extent, the draft of the 1994 budget had been oriented, decreased sharply in the first half of the year. Then the urgent need arose to simplify all foreign economic activities and to abolish not only quotas and licenses, but also the export tariff breaks. If the decision is actually carried out, this will lead to an increase in export receipts.

The main obstacle in the way of the abolition of the quotas, let us say in the area of oil marketing, has traditionally been associated with actual transportation limitations on the volume of our exporting—the capacities of the pipelines and the major exporting ports. Actually, we are currently exporting approximately as much oil as our transportation can carry out of the country. I am convinced that this situation will continue in the near future—it is not a matter of quotas, rather of transportation. Although, of course, the abolition of the quotas and licenses, in principle, expands the opportunities for transportation enterprises to make the most of their own monopoly position.



But, all the same, there are advantages to having this kind of economic regulation in comparison with the administrative type. If, over the course of a certain amount of time, you have transportation capacities which act as actual limitations, sooner or later you will build a new oil-tanker seaport. But if you have administrative quotas and licenses, then the result will exclusively be an additional number of Mercedes. From this point of view, I think that this kind of decision will be beneficial to the long-term dynamics of Russia's foreign trade and the development of its fuel sector. If, of course, we actually manage to put it into practice.

There are also other decisions which are correct and long immanent, for example, consolidation of the highway fund into the budget. I would call the sharp tightening up of tax control one of the other especially significant ones. It is a very useful and outstanding decision! But it has one shortcoming: Unfortunately, it does not have any legal force. Until the appropriate law is adopted by the Duma and then by the Federal Assembly, not a single court will implement it. Unfortunately, I know this quite well from experience.

The same thing may be said about the decision to grant large breaks to joint production ventures, which contribute more than \$10 million. This decision is contradictory and ambiguous in its consequences. But it cannot be implemented on the basis of presidential edicts within the framework of the existing constitution. This is more a declaration of intentions, which may have practical consequences in the event that it is backed up by appropriate legislation. Otherwise, this decision contradicts a whole set of laws.

As for the changes in the tax legislation, these are sensible proposals for reducing somewhat the rates for the profits tax, the value-added tax, and the deductions for social insurance while increasing the property taxes.

But, the personal income taxes as a second source, it seems to me, have been selected unsuccessfully. I absolutely do not believe in the feasibility and advisability of the upper rate for the income tax. I am convinced that, under the conditions of our lack of tradition of tax discipline, this decision will more likely lead to a decrease, rather than an increase, in actual tax receipts. I would more likely name as an obvious target an increase in the rates of the land tax as a perfectly natural direction for making up "falling" revenues.

The document on reforming state enterprises has been in preparation for a long time. It makes it possible to take one more step to eliminate the completely irregular situation when the directors of the state enterprises, within the framework of the concept introduced by us back at the end of the eighties of full economic management, received rights I usually compare with the rights of regimental commanders—to declare war, to conclude peace, and to sell off their regimental property with such obvious serious consequences for the national economy.

Now it is possible to strengthen control over the state enterprises' work and to create incentives for their more or less normal behavior.

### **Legislation for 'Free Entrepreneurship Development' Sought, Comment by S.N. Fedorov**

944E0963A Moscow NEZAVISIMAYA GAZETA in Russian 4 Jun 94 p 2

[Article: "Entrepreneurs Want To Establish a New Bureaucratic Structure With Taxpayers' Funds"]

[Text]

### **Edict of the President of the Russian Federation (Draft) "On the Establishment of a Federal Public-State System for the Development of Free Entrepreneurship in the Russian Federation"**

In connection with the development of the nonstate sector of Russia's economy the need arose for the establishment of fundamentally new organizational forms of coordination, development, state support, and protection of Russian entrepreneurship. In elaboration of the measures approved by the Edict of the President of the Russian Federation No 1485 dated 30 November 1992 "On Organizational Measures for the Development of Small and Medium-Size Business in the Russian Federation" I decree:

1. To approve the proposals of the Government of the Russian Federation for the establishment of a federal public-state system for the development of free entrepreneurship in the Russian Federation.

2. To form in the structure of the Government of the Russian Federation the Federal Administration for Entrepreneurship Affairs of the Russian Federation.

To establish that the Federal System for the Development of Entrepreneurship is financed within the approved budget expenditures on pertinent items.

3. To establish that the Federal Administration for Entrepreneurship Affairs of the Russian Federation is headed by the director of administration, who is appointed and relieved of his post by the President of the Russian Federation at the suggestion of the chairman of the government and in coordination with business circles.

4. To establish that the following will be the basic tasks of the Federal Administration for Entrepreneurship Affairs:

- participation in the processes of drafting of legislative and normative documents pertaining to problems of development of entrepreneurship;

- coordination of financial support for small and medium-size entrepreneurship and coordination of investment policy in the sphere of private business on the basis of principles of mutual guarantee;

- assistance to small and medium-size entrepreneurs in obtaining state orders and participation in large investment projects;
- development and expert examination of and assistance for the realization of federal, regional, and goal-oriented programs for the support of the owners' class in Russia;
- information, technical, and consultative services for enterprises in the sphere of private entrepreneurship;
- organization of research on problems of private entrepreneurship and development of the owners' class in Russia;
- organization of the training of specialists in the market infrastructure;
- strengthening of cooperation with domestic and foreign entrepreneurial associations and organizations;
- participation in international plans of investments in the nonstate sector of the Russian economy;
- assistance to small private enterprises suffering as a result of force-majeure circumstances.

5. To appoint... director of the Federal Administration for Entrepreneurship Affairs of the Russian Federation.

6. To introduce the post of adviser to the president for entrepreneurship affairs in the apparatus of the Administration of the President of the Russian Federation.

7. The director of the Federal Administration for Entrepreneurship Affairs of the Russian Federation within a 1-month period shall submit for approval by the Government of the Russian Federation a draft statute on the Federal Administration for Entrepreneurship Affairs of the Russian Federation and its structure, proposals for the realization of the federal public-state system for the development of free entrepreneurship in the Russian Federation, for the personnel of the State Council on Problems of Private Entrepreneurship under the Federal Administration for Entrepreneurship Affairs of the Russian Federation, and for the reorganization of the existing structure of support of small and medium-size entrepreneurship into the federal fund of credits and mutual guarantees under the Federal Administration for Entrepreneurship Affairs of the Russian Federation and of the structure of regional funds for the support of small and medium-size entrepreneurship, and the Statute on the Federal Research and Information-Consultation Center of Russian Entrepreneurship.

8. In connection with the change in the structure of employers in the course of the privatization being implemented to instruct Yu.F. Yarov, deputy chairman of the Government of the Russian Federation, to prepare a draft edict of the President of the Russian Federation on a new membership of the Russian-Trilateral Commission on Social-Labor Relations.

9. The Government of the Russian Federation within a 1-month period shall also solve problems of entrepreneurship of other bodies of the federal system for the development of free entrepreneurship in the Russian Federation.

10. This edict enters into force from the moment of signing.

[Signed] B.N. Yeltsin, president of the Russian Federation

Moscow, the Kremlin

Draft presented by I. Kivelidi

### Opinion

Since this draft was sent out by Oleg Soskovets, first vice-premier of the government, for an evaluation by various authoritative specialists in this field, we are able to publish one of the comments.

To O.N. Soskovets, first deputy chairman of the Government of the Russian Federation

The country is choking in bureaucratic licentiousness. The attempt at a transition from the totalitarian economic system to the market system by means of the administration and command system embellished by democratic slogans has collapsed.

Millions of producers, as before, are not owners of their labor and its results. This labor and its results are appropriated by the bureaucratic system. The preservation of hired labor with the removal of surplus value makes any administrative foci of the type of organization of new federal state systems for the development of entrepreneurship senseless. This is an attempt to maintain, at the expense of the poor taxpayer, a huge army of idlers, who will definitively regulate the pitiful and ugly development of the free market.

The introduction of the capitalist system from above on the basis of the collectivization and industrialization model is doomed to failure.

The fact that, allegedly, Russia's businessmen are interested in the creation of another bureaucratic monster evokes surprise. As an entrepreneur, who over a period of 8 years has engaged in free economy, I can say one thing: I do not need a state body, which will drive me to capitalism. I think that all entrepreneurs need normal economic laws and taxes and not new bureaucratic administrators.

I consider the draft documents on the organization of the "Ministry of Capitalism" a mistake.

Such a body under the Government of the Russian Federation can be useful only as a public body not forming part of the authorized staff of the Government of the Russian Federation.

Respectfully,

[Signed] Prof. S.N. Fedorov, general director of the Moscow "Mikrokhirurgiya glaza" Scientific and Technical Complex

### **Official Registration of Diamond Producers Association Reported**

944E0942A Moscow KOMMERSANT-DAILY  
in Russian 4 Jun 94 p 8

[Article by Vladimir Teslenko: "Russian Jewelers Want To Restore the Borders of the USSR: Russia's Diamond Producers Have Formed an Association"]

[Text] A Diamond Producers Association has been created in Russia. It was organized under the patronage of the Roskomdragmet [Russian Committee for Precious Metals], the chairman of which—Yevgeniy Bychkov—was elected president of the association. Yesterday the new organization obtained Certificate No. 32211 at the Moscow Registration Office, which signifies the de facto beginning of its work.

The decision to create this association was adopted on 21 April at a session attended by its founders—the leading officials of six diamond organizations: three plants in the Kristall system (Barnaul, Moscow, and Smolensk), three very large joint ventures (Intertreyd, Kristalldiam, and Ruiz daymond), as well as the Almazyuvelireksport Foreign-Trade Association and the Federation of Trade Unions of Workers in the Mining and Metallurgical Industry.

The new association's charter declares measures aimed at developing the Russian diamond industry and at increasing its competitiveness on the world market. This organization intends to render consultative assistance to all of Russia's diamond-cutting enterprises, regardless of their forms of ownership. Included among its potential clients are approximately 100 legal entities already having licenses to cut diamonds.

The association sees its special goal as helping in the cooperation between diamond-processing plants of the CIS countries: Located in Kiev, Vinnitsa, Gomel, Yerevan, and Chardzhu are large plants specializing in the production of very high quality diamonds—the so-called "Russian cut," or "fine cut." After the disintegration of the USSR, these plants were no longer able to obtain a full supply of raw materials—basically, diamonds from Yakutiya. During the years 1992-1993 they began to obtain significant supplies of raw materials from foreign firms—for example, Belgium and Israel. Their products are already competitive with Russian diamonds on world markets inasmuch as the sector of high-quality diamonds is a comparatively narrow one. It should be said that contacts with the above-listed CIS plants have already been established by Almazyuvelireksport and the Yakutsk company entitled Tumaada Daymond. And two Yakutsk-Ukrainian joint ventures have been created.

In the words of its executive director—Ararat Evoyan—the new association will take steps to make sure that the

"Russian cut" being turned out by the CIS plants and the products of their Russian colleagues will be sold on the world markets within a framework of thoroughgoing cooperation.

The Diamond Producers Association of Russia was founded as an analogy with such organizations in other countries, having the typical purposes of civilized lobbying for favorable customs and tax laws, as well as combating the producers of fake (infused) diamonds.

### **Government Press Conference on Edicts on Economic Reforms**

944E0961A Moscow KOMMERSANT in Russian  
No 20, 7 Jun 94 pp 2-3

[Article by Nikita Kirichenko and Yelena Makovskaya: "Government Explains What Was in the Package"]

[Text] Last week the Russian Government, perplexed by the ambiguous press reaction, held a press conference, where journalists were given explanations about the published and new documents being prepared for signing, which were drafted with the participation of the government and the president's apparatus and which concern the country's economic life. The meeting was held in the Hall of Awards of the White House, which, according to the organizers' idea, was supposed to reward the press for the lack of timely comments by the country's government on the package of the president's six edicts.

At a meeting with journalists Vice-Premier and Minister of Economics Aleksandr Shokhin announced that the recent signing of the package of edicts in no way attests to disagreements between the government and the president's apparatus. The documents were prepared jointly. From the vice-premier's speech it was apparent that the sluggishness of the legislative process carried out by the parliament forced the government and the president to "push on" by means of edicts the development of reforms in the country in order to stimulate deputies to adopt changes in legislation before the beginning of vacations.

The minister admitted that the president's recent edict on reform of state enterprises contains only part of the measures worked out by the government in this direction. Apparently, an edict on the procedure for the sale of insolvent enterprises will be signed soon. (On 20 May the government issued decree No 498 "On Some Measures for the Realization of Legislation on the Insolvency (Bankruptcy) of Enterprises," which contains clear-cut criteria for placing enterprises in the category of insolvent ones on the basis of balance indicators).

According to Mr. Shokhin, the evaluation of bankrupt enterprises will be made as of 1 January 1994. The client will have to pay 20 percent of the selling price right away. These funds will be assigned for the liquidation of debts to creditors. Subsequently, 50 percent of the cost is to be assigned for the upkeep of the social sphere of the sold enterprise. The minister added that negotiations on

granting credits to Russia for the maintenance of the social sphere of enterprises, which were bankrupt during the transitional period, are now being conducted with the G-7. The World Bank gave its preliminary consent to the granting of such tied credits.

Aleksandr Shokhin admitted that the approach to the bankruptcy procedure should be noted for special care, because it is very expensive. (According to estimates by some directors of administrations, it is cheaper to continue paying wages to workers during a complete shutdown of an enterprise than to fully carry out its bankruptcy process, where they "work"). In this connection the minister called upon the Federal Administration for Insolvency of Enterprises under the State Committee on the Administration of State Property not to make long lists of candidates for bankruptcy as long as the problem of the funds, with which their recovery will be carried out, is not solved. He referred to his own experience gained by him when he was chairman of the Commission on Problems of Coal Mining Enterprises. According to Aleksandr Shokhin, at that time the management of a number of mines openly insisted on the closure of production facilities in the hope of obtaining substantial monetary injections guaranteed during the conduct of bankruptcies by the state.

The vice-premier was unable to mention the amount of funds provided by the federal budget in 1994 for bankruptcy procedures. (The number of enterprises officially declared bankrupt on the list reaches thousands. Moreover, the budget has not yet been approved by items). However, nor does the government agree with the proposals of the Ministry of Labor to the effect that an "active ousting of manpower" will soon begin in the economy. (The latest data on the rise in unemployment are presented in the survey of consumer prices on pages 53-55. In our opinion, in general, it is too late to make proposals and to debate them).

Judging by the words of the minister of economics, the state intends to examine the property belonging to it without delay and, to begin with, to take an inventory of enterprises. Right now it is quite obvious that an enterprise based on full economic management, to put it mildly, is a form not profitable for the state. It presupposes a distribution of roles, under which the management of an enterprise adopts decisions independently, but bears no responsibility for their consequences. Aleksandr Shokhin believes that the right of labor collectives (according to the Law on Enterprises and Entrepreneurial Activity) to choose the production manager as they wish will also contribute to such an infringement of state rights.

It seems that from now on the state will try to more strictly control the system of management of state enterprises. For example, Aleksandr Shokhin concluded, there is an urgent question concerning the personal responsibility of the representatives of state interests in joint-stock companies, the shares of which it owns. An appropriate certificate will be handed to the authorized

representative. It will enable him to participate in voting with due regard for the number of votes falling to the share of the state. For now, however, according to the testimony of the minister of economics, several representatives of ministries and departments often defend state interests in joint-stock companies at the same time and, ultimately, those guilty and responsible for adopted decisions are not found.

Commenting on the government decision on a reduction in export duties on petroleum, Aleksandr Shokhin assured those gathered that this measure "levels out the situation of petroleum exporters, because it is supplemented by the abolition of unsubstantiated privileges for some of them." Thus, a reduction in duties on oil is balanced out by the receipt of payments on the part of former "recipients of privileges" and the effect of the adopted measures on the state of the state treasury will prove to be neutral. True, the vice-premier added, the decree on the abolition of privileges for exporters has not yet been signed, because it will apply to an entire list of licensed goods and provides for the preparation of a list of exceptions—goods for which licensing is to be preserved (for example, narcotic substances, weapons, and so forth).

In his speech Deputy Finance Minister Sergey Aleksashenko also set forth the position of his department on the matter of export privileges. "The Ministry of Finance fundamentally opposes the granting of privileges," he declared. Mr. Aleksashenko did not confirm the rumors on a rise in tax rates, which have agitated the market recently. In his opinion, although legislative initiative in the revision of tax rates belongs to the parliament, such changes hardly await the economy in the current year. "Budget revenues for 1994 have been determined and, consequently, a revision of rates before 1995 is impossible."

Vladimir Gusev, director of the State Tax Service, responding to the question of KOMMERSANT, declared that, in fact, the state fails to collect substantial sums in the form of tax deductions. Among the reasons for the reduction in tax budget revenues Mr. Gusev mentioned not only the evasion of tax payment, but also the nonpayment crisis, which has gripped the national economy. According to his information, total arrears now amount to 8 trillion rubles. Funds reported by enterprises for payment, but in reality absent in payers' accounts, account for 28 percent of them. However, the state, Mr. Gusev reported, took a number of steps to toughen the tax collection procedure. Tax bodies received the right to levy execution upon debtors' current and deposit accounts and the possibility of levying execution upon their property is now being examined. (We present Central Bank Chairman Viktor Gerashchenko's point of view of the recovery of funds from the deposit account on page 11).

At the meeting with journalists government representatives paid special attention to a discussion of the problem concerning the activity of foreign banks in



Russia's territory. We will recall that the history of the "movement of resistance" to the penetration of foreign banks into the country had already begun under the previous parliament. When passions were inflamed properly, in Russia about a dozen foreign banks either had already received a bank license for the performance of operations, or awaited this. Deputies of the former parliament tried to make a number of changes in banking legislation, which would introduce a moratorium on the receipt of licenses by new claimants from the international banking community. Foreign banks, which already had a general license of the Central Bank of Russia, were offered, in essence, to switch over to the offshore regime of work (with the right to service non-residents and with a ban on operations with rubles). The parliament decree on the implementation of the mentioned amendments was disputed by the government and immediately fell under the president's veto.

However, the history with foreign banks received a sudden and an extremely unexpected continuation. The president's edict, which refuted his own veto, was issued on 17 November 1993 on the threshold of the elections. It followed from the text of the document that foreign banks (as well as joint ones, where more than 50 percent of the shares belong to foreign participants) operating in Russia's territory... will be transferred to the offshore regime until 1996 if they do not manage to acquire Russian clients until 15 November 1993.

Representatives of the international banking community, obviously, did not like the Russian saying "he who is not on time is late." This precisely was gently pointed out to the Russian President during his visit to Brussels. Representatives of the European Union perceived the edict on foreign banks as a measure worsening the banking climate in Russia, which, obviously, contradicted the agreement with the European Community signed by our country. The American Senate warned Russia that the barriers established for U.S. banks would involve American retaliatory measures. Then the biggest Russian commercial banks, which decided to enter the European market, felt a vague opposition on the part of local authorities. The latter felt that they were entitled to this: What can the applicants expect if they themselves have just slammed the door in the face of their foreign colleagues?

The government and the Central Bank were instructed to rectify the situation until 8 June of this year. The draft of the president's edict, which lifts the restrictions on the activity of foreign banks in Russia, has already been prepared and, as Viktor Gerashchenko, head of the Central Bank, reported, "will be published any day now." According to Aleksandr Shokhin, Russia signed an additional agreement with the European Community "on encouragement and protection of investments." The prime minister also reported that a 12-percent barrier on the amount of authorized capital is retained for foreign banks in Russia. (This means that the combined authorized capital of foreign banks operating in the country's territory should not exceed 12 percent of the total

authorized capital of all the registered Russian commercial banks). Furthermore, for several years foreign banks have been prohibited from working with Russian securities. The next technical restriction for subsidiary banks (also temporary) concerns balances in clients' accounts. According to the draft document, they cannot be less than 50,000 ECU (58,600 dollars). This measure, according to its developers' idea, will not enable foreign banks to actively work with private individuals.

The government decision to rectify the situation with foreign banks was given a hostile reception by the Association of Russian Banks. Sergey Yegorov, its president, speaking at a press conference on 1 June, spoke in favor of a time-out in the admission of foreign banks into Russia. He again repeated the well-known argument of the fighters against the penetration of foreign banks into Russia: The need to introduce a preferential period for the development of Russian commercial banks. In the opinion of representatives of the Association of Russian Banks, the resistance to the opening of affiliates and departments of Russian banks in the territory of other states should be overcome by means of ultimatums. Apparently, this type of agreement presupposes a scheme similar to the procedure for the exchange of hostages: A permit for the opening of an affiliate of a Russian bank in a respective country should correspond to a permit for the opening of a foreign bank in Russia. In the opinion of KOMMERSANT, this cannot be, because this can never be. Even if foreign bankers agreed to communicate in the language of ultimatums, the question of the criteria of an "equivalent exchange" would arise then and there. It is unlikely that any of Russia's most promising commercial banks will be able to honorably withstand such a competition.

*Upon the conclusion of the government press conference KOMMERSANT experts got the impression that the second batch of presidential edicts would be much more substantive and, apparently, more intelligible than the first, which consisted of six edicts and was represented in the notorious "reformer" package of 23 May.*

## **Second Round of Hearings on Central Bank Activities Reported**

944E0944A Moscow SEGODNYA in Russian 10 Jun 94 p 1

[Article by A. Bekker: "Boris Fedorov Tortures Central Bank in the English Manner"]

[Text]

## **Central Bank Will Not Refuse To Keep an Eye on Commercial Banks**

The Duma Subcommittee on Policy and Activity of the Central Bank held a second round of hearings on the operation of the Central Bank. Their initiator, Boris Fedorov, as agreed with Viktor Gerashchenko, intends meeting with heads of various Central Bank departments during the summer in order to, in the words of the



subcommittee chairman, "obtain as much information as possible" about the bank. Twice a week Room 838 in the State Duma will turn into "a torture chamber," when the dialogue between Russian deputies and the bankers will take place in the rigid fashion of the British parliament. No reports, only questions and answers. "We are not going into discussions," Mr. Fedorov observed, as if underscoring a strictly practical interest, free of confrontation. The final outcome of the meetings is seen by him to be the compilation of a full shorthand record and elaboration of practical recommendations on the development of the banking business in the country.

At yesterday's hearings the principal respondents were Dmitry Tulin, deputy chairman of the Central Bank, and Nadezhda Ivanova, deputy chairman of the Department of Banking Supervision. That department engages in the licensing of banking operations, analysis of bank reporting procedures, elaboration of standards, supervision of banks to prevent bankruptcy, preparation of clearing operations, and liquidation of commercial banks. The last function was defined by Mr. Tulin as "not peculiar to the Central Bank," explaining its necessity as being due to the transition period and the establishment of a new banking order. Work on perfection of the taxation system was also mentioned by the deputy chairman of the Central Bank as being outside the operational profile of the Central Bank.

Issuance of licenses is considered to be the main task of the main bank. At the local level the main administrations of the Central Bank appear as their issuers. According to the assurances of Mrs. Ivanova, territorial administrations do not abuse their right, and refuse licenses for commercial banks only in rare cases, limited by law. As Mr. Tulin added, the laws of the Russian Federation do not allow rejection of a candidate for the post of chairman of a commercial bank. Even though there are Central Bank methodological instructions on the evaluation of professional qualities, neither they, nor the term of three months allowed for confirmation, permit the revelation of all there is to know about a manager, who, as Boris Fedorov said, could have a record of "two defunct banks and theft of customers' money."

The Central Bank, of course, is not completely defenseless. In 1993 it used its right and canceled licenses of 19 commercial banks, while this year licenses were taken away from 21 commercial banks. In addition to its own criteria for steep measures, the Central Bank also responds to requests from customs and tax services. It is true that the Central Bank does not work logically in this case either and tries not to cancel a license until a decision is reached by an arbitration court regarding bankruptcy, while the court needs a license cancellation in order to recognize bankruptcy. The Central Bank does break this closed circle, but according to Mrs. Ivanova, "orders concerning the closing of banks are strictly individual."

In order to avoid such an extreme outcome the Central Bank worked out a number of norms for the commercial banks. One of the risk limits is determined by the norm of capital sufficiency. Evaluative indices of current and long-term liquidity and maximum amount of risk per borrower are outdated and will probably be repealed. But as of last year the open currency position is being restricted, and a standard was introduced limiting the investment of their own capital by commercial banks in the charter funds of other commercial organizations—a limit of 10 percent exists for capital invested in one enterprise, and 50 percent "for the entire circle" of firms. In the opinion of Mr. Tulin, "Banking supervision earns no laurels for the Central Bank," inasmuch as it makes up 90 percent of the load. But "it is not yet time" to remove that burden. Despite the existing conflicts with commercial banks "we, like no one else, understand their problems and are helping to protect their interests," concluded the deputy chairman of the Central Bank.

That debate developed in connection with proposals to withdraw the Department of Banking Supervision from the structure of the Central Bank. Similar discussions, by the way, are under way in the United States with respect to the Federal Reserve System. Konstantin Lubenchenko, director of the Legal Department, is convinced that in Russia such a "divorce" is at the very least premature inasmuch as "only the Central Bank has at its disposal all the information on operations being conducted by the commercial banks." He also cited the following fact to prove his point: According to the International Monetary Fund, banking supervision services "are included" within the structure of their national banks in 80 percent of the countries.

Confirming the thesis of Mr. Tulin concerning protection of the interests of commercial banks by the Central Bank, Mrs. Ivanova said that "it is necessary to change the entire order of their taxation." According to her, banks are currently paying around 30 forms of taxes and the ratio of payments to net profit amounts to 58 percent, which is "excessively high." "Commercial banks lack the profits to create reserves for covering shaky credit, and that could lead to the collapse of the entire banking system", declared the deputy chairman of the department. She also said that proposals calling for a review of the commercial bank taxation system were forwarded to the Federation Council.

#### **Reaction to Yeltsin's Edicts on Economic Reform, Banking System**

944E0973A Moscow KOMMERSANT-DAILY  
in Russian 11 Jun 94 p 2

[Roundup of bankers' reaction to Yeltsin banking system edict and other comment by Vladislav Borodulin and Vadim Bardin: "The Documents Issued as the Result of Yeltsin's 'Press'"]

[Text] Yesterday Boris Yeltsin signed the second package in the series of economic edicts promised earlier. Experts

from the government and the president's office worked all night to be in time for Yeltsin's anniversary press conference. The group issuing the president's documents did not work as expeditiously: only four of the five edicts were officially distributed yesterday. The edict on the banking system did not appear outside the Kremlin.

Judging by the extensive list of documents being prepared, yesterday's package will not be the last surge of activity by the executive authority before the summer lull.

#### **The President Did not Promise Every Family an Apartment by the Year 2000**

The presidential edicts issued yesterday provide every reason for the executive authority to substantially reduce the pace of its work, if not leave on vacation. Package No. 2 filled the niche, empty since May, of the authorities' attention to social problems and relationships with foreign financial organizations.

#### **Edicts signed by Boris Yeltsin on 10 June:**

- “On housing loans”;
- “On the issuance and circulation of housing certificates”;
- “On measures to finish incomplete housing construction”;
- “On improving the work of the Russian Federation banking system”;
- “On protection of consumers.”

#### **Edicts Being Prepared for Signing:**

- “On increasing the responsibility of state enterprise directors”;
- “On protecting the rights of investors and citizens in the securities market”; and
- “On the customs procedure for commodities for investment projects.”

#### **Basic Provisions of the Edict “On the Issuance and Circulation of Housing Certificates”:**

- When houses are built, juridical persons with the rights of a buyer have the right to issue housing certificates;
- The volume of an emission of housing certificates (expressed in units of overall living space) may not exceed the total volume of housing being built by a buyer; and
- The minimum rated value of a housing certificate may not be less than 0.1 square meter.

#### **Basic Provisions of the Edict “On Housing Credits”:**

- Credit is extended for housing construction if the builder is allotted a plot of land and has authorization to build housing from the appropriate organs;
- There may be three types of loans: a loan to purchase land, a short-term loan to build housing, and a long-term loan to purchase housing;
- The total amount of credit issued should not exceed 70 percent of the cost to build or purchase housing;
- The basic documents which determine the relationships between the bank and the borrower in granting a loan are the loan agreement and the security contract (on the mortgage); and
- A plot of land under construction, completed housing or incomplete construction, and other forms of property and property rights may be an item of security.

The reasons for issuance of the decrees “On housing loans,” “On the issuance and circulation of housing certificates,” and “On measures to finish incomplete housing construction” are very logical and clear—the idea that it is precisely the construction industry which will become the “locomotive” of the Russian economy has been popular in the government for a long time. Moreover, the edict on housing loans legalizes the mortgage concept, which has been put into practice quite extensively. The Supreme Soviet did not have time to approve a corresponding draft law. The underlying social reason for these decisions is obvious as well—there are few average Russians who can gain a thorough understanding of the subtleties of export allocation and licensing (the net result of Package No. 1 was the idea of liberalizing Russian exports).

However, for those who authored the housing construction edicts—the State Committee on Questions of Architecture and Construction [Goskomarkhitektury]—there are reasons of a more prosaic nature to advocate their quick approval. A package of government decrees on measures to support the construction complex—and not without budget participation, of course—should be rushing to catch up with these edicts. Yefim Basin, chairman of the Goskomarkhitektury, estimates the overall volume of unmet demand for housing at 14 trillion rubles [R] and the area of housing that has not been completed at 40 million square meters (42 million square meters were built in 1993).

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#### **Basic Provisions of the Edict “On Protection of Consumers’ Rights”**

Upon its publication, the advertising of banks and financial, insurance, and investment companies must:

- specify the actual amounts of dividends paid for common registered stocks over the past fiscal year;

- specify the date and registration number of the securities issue being advertised; and
- not permit announcement of guarantees, promises, or assumptions about the future effectiveness of their activity.

Yeltsin's edict "On protection of consumers" [sic] pursues objectives that are even more populist. The aims of this document were formulated by the president himself: it is necessary "to put advertising activity in order and ensure that a person has the right to reliable financial information." The authorities' attempts to spare their fellow citizens from the illusions that they can buy "a house in Paris" with the dividends from securities are very much justified: in the event that their commercial undertakings fail, Russian investors prefer to appeal to the state, not the firm that deceived them. According to KOMMERSANT-DAILY information, Russian banks, concerned about the increase in competition from non-banking financial institutions in attracting the funds of private investors, played an important role in pushing through the edict.

#### Foreign Banks in Russia Have been Rehabilitated

The pendulum of the president's edicts concerning operations by foreign banks in Russian territory with the funds of Russian residents has once again been put into motion.

*On 1 November 1993, this activity was frozen until 1 January 1996 by the edict "On activity by foreign banks and joint banking ventures with the participation of nonresidents in Russian Federation territory." The clause in the edict stating that its restrictions are not extended to those foreign banks which did not have time to begin serving Russian residents before 15 November 1993 was good news for only two banks: "Lionskiy Kredit," a subsidiary bank of Credit Lyonnais, and the joint bank Dresdner Bank (FRG) and BNP (France). All the rest of the 10 that were planning to begin operating in the Russian market, which had already received licenses from the TsB [Central Bank] of Russia, turned out to be losers."*

Now the president has given the green light to European foreign banks in Russia. It is a reasonable question: what prompted the president to rehabilitate the foreign banks ahead of time? While in November the spirit of the president's edict was directly contrary to his edict of 27 September "On improving work with foreign investments," it was brought about chiefly by election campaign considerations, not by calculations that victory would be achieved by orientation toward a liberal-market ideology with emphasis on priority support for the interests of Russian business or a rejection of more prohibitive measures, and it is more pragmatic in nature.

At least three circumstances attest to this. First of all, it is obvious that opening the Russian market to foreign banks is one of the conditions for granting Russia

deferments in paying its foreign debt to the Paris Club. And creditors' patience has evidently run short.

Secondly—and this is confirmed by the fact that European banks are the ones that have been most active thus far in penetrating the Russian financial market—opening the doors to foreign banks is aimed at facilitating the talks that are actively under way on Russia's partnership in the European Community. In principle, it has not been ruled out that this liberalization will be followed by reciprocal liberalization by Russia's trading partners, and this may alleviate antidumping sanctions from the EC. An answer to this question may be given on 23 June at a meeting between Boris Yeltsin and Jacques Delors, where it is planned in particular to coordinate Russian quotas for aluminum and uranium exports to the EC.

Thirdly—and this is perhaps what is most important, the appearance of foreign banks in the Russian market should in theory contribute to a solution of two extremely critical problems in the Russian economy. Despite the rapid increase in commercial banks, the credit development field in Russia continues to be inadequate for the requirements of a market economy. This is shown by comparing the structure of the money supply in Russia and the United States. It follows from this that Russia is significantly ahead of the United States in the proportion of cash and funds accumulated in the accounts of enterprises and in public savings, but on the other hand, it lags behind in the amount of commercial credit that is extended. In this sense, the chronic nonpayments are a form of compensation for the lack of development in credit relationships. The new opportunities being opened by the presence of foreign banks in the Russian market may also revitalize the moribund investment process. The epochal formation of the Investment Finance Consortium, despite the importance of the precedent of government interaction with the banks and investment companies in stimulating private investments, attests to the narrowness of investment supply. The overall volume of state guarantees for securities of the consortium amounts to R800 billion, and this year R8 billion will be mobilized altogether. Foreign direct investments, the need for which has finally been acknowledged in the Russian Government, will come through these foreign banks; however, this has not prevented it from breaking up the Russian Agency for International Cooperation and Development—a federal organ charged with implementing the policy of attracting foreign investments.

As far as public reaction is concerned, it is absolutely clear that the politicians, the bankers, and businessmen view this change in different ways. Unexpected arguments are already circulating: giving foreign banks access to Russian residents' accounts will leave the CIA with nothing to do. It may be said in response to this that the largest data bank on all Russian enterprises is being held by the Goskomimushchestvo [State Committee on the Administration of State Property], and specialists of the World Bank and other Western financial organizations

providing Russia with technical assistance in carrying out privatization have had legal access to the data for a long time. Nevertheless, from the viewpoint of prospects for development of the national economy, the pluses of the foreign banks' arrival in Russia outweigh the minuses, all the same.

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#### Reaction by Russian Bankers to the President's Edict

**Andrey Tsimaylo, vice president of Most-Bank:** "There are specific differences between the banking system of any state and other sectors of the economy. The banks are akin to the militia and the army—both constitute elements of national security. For this reason, the national banking system should be the last to be integrated into the international market (and hence, to permit full-fledged branches of foreign banks on its territory). This should not take place before Russian banks are standing on their feet, that is, when the largest of them have enough of their own funds to put them among the first thousand largest banks in the world. And for this it is essential that a bank have a minimum of \$128 million of its own capital.

"And even in this case, it is not right to authorize foreign banks to serve residents. In other states, the 'other' banks take part in the capital market and the interbank market, but the national banks serve their clients.

"By authorizing foreign banks to serve residents today, we can forget about national security. Each bank knows the history, the problems, and the financial capabilities and plans of each client. Foreign banks will also have the same information on resident clients in Russia. Not one of the world's intelligence services even dreamed of this.

"They say that foreign banks will finally teach you how to operate. On the contrary, it is more likely that we will be teaching them how to operate in the Russian market—with the GKO [expansion unknown] and with gold certificates. And Russian bankers increase their skill this way—those same Western banks organize the seminars at which Russian employees are trained.

"They say that foreign banks will bring new technologies into the Russian market. If this means equipment, many Russian banks have equipment today that is no worse, and perhaps even better. But if this refers to banking technologies, please tell us: who needs 30-year bonds with 4 percent profitability?

"They say that foreign banks will teach us how to treat a client. However, I am not convinced that they would extend credit to clients who have no credit history.

"Finally, they say that foreign banks will bring foreign investments with them. However, the lack of a foreign bank is not an obstacle to penetration by foreign investments. If any one of them wants to extend credit to AvtoVAZ [Volga Automotive Plant], it will do so even without a Russian 'branch.'"

**Yakov Dubenetskiy, chairman of the board of the Promstroybank [Industrial Construction Bank] of Russia:** "I think the presence of foreign banks in the Russian market meets our national interests over the long term. There is no question that foreign banks should be represented in Russia. However, it is not possible for them to conduct their activity today under the same conditions as the Russian banks."

**Sergey Yegorov, president of the Association of Russian Banks:** The association's position on this matter has been set forth on more than one occasion. We believe that the presence of full-fledged branches of foreign banks in the Russian market today will be disastrous for the Russian banking system. The overwhelming majority of Russian commercial banks cannot be compared in size with even a comparatively small foreign bank. Countries with a much stronger national banking system do not allow foreign banks. But in Russia, the commercial banks have just barely come to their feet, and time is needed for them to be able to compete with foreign banks."

**Boris Sergeyev, member of the board of "Tokobank":** "Based on principle, not self-interest, we support the idea of liberalizing the conditions for activity by foreign banks. At the same time, it is reasonable to set some restrictions, such as limiting capital from Western banks to 12 percent of the total amount."

**Saida Petrova, head of a department of the Moscow Export-Import Bank:** "There is actually no banking system in Russia at this stage. All Russian commercial banks are essentially branches of the Central Bank—all banking turnover without exception goes through the RKTs [presumably: currency control center]. Western banks' transactions will bypass this system. It will be impossible to monitor the influx of foreign capital and its circulation in the country. As a result, we will witness the collapse of Russia's banking system, which has not been created yet."

#### Yeltsin's Edict on Banking System Criticized

944E0975A Moscow KOMMERSANT-DAILY  
in Russian 17 Jun 94 p 5

[Report on Association of Russian Banks press conference by Boris Boyko and commentary by Financial Turnover Department: "The Sixth Paragraph Has Become Hated as Much as the Fifth One"]

[Text] *Less than a week after signing of the president's edict "On improving the operation of the Russian Federation's banking system," which has been received with widespread public reaction both in Russia and in the West, the Association of Russian Banks (ARB) issued an official commentary on this decision by Boris Yeltsin. The main object of analysis, it was easy to assume, was not so much the edict itself as its sixth paragraph, which removes a number of the restrictions on foreign banks' activity set forth in November 1993.*



Sergey Yegorov, president of the ARB; Aleksandr Smolenskiy, president of the "Stolichniy" Bank; Garegin Tosunyan, president of the Tekhnobank; Leonid Nevzlin, vice president of the "Menatep" Bank; and Vladimir Gusinskiy, president of the Most-Bank, took part in a press conference.

The overall tone of the press conference showed that in their choice of reasoning the representatives of Russian banks were quite familiar with the attitudes prevailing in the higher echelons of political authority. In criticizing the hated sixth paragraph, the emphasis was put on the danger it represents for the work of state construction in Russia. It is interesting that the political factor became almost dominant in the statements made by members of the banking elite. Thus, in the ARB's opinion, the president's decision gives an opportunity to "rightist forces" to take advantage of the presence of foreign banks in the Russian market "to inflame political passions."

The edict provided a reason for the association to declare a fundamental change in the state's policy of protectionism, which, in Vladimir Gusinskiy's words, should be no less than in Western countries, where it is quite difficult for a foreign bank to open a branch because of the numerous restrictions. Leonid Nevzlin was more dramatic: in his opinion, the president's decision threatens the very structure of Russian statehood—four or five large foreign banks are enough "to cut off oxygen to the Russian banking system." In addition, the example given by "Menatep" may illustrate the increasing force of this dangerous trend—under the threat of a breakdown, plans have appeared to attract foreign investments by selling some of the Russian banks' stock shares to foreign banks.

Despite the good preparation, the sense of proportion changed at times for the press conference participants: in the words of Garegin Tosunyan, a campaign is under way to discredit Russian banks connected with the general tendency "to turn pink and turn red" in domestic policy. As a result, proposals are showing up at the state level to nationalize all banks altogether on the grounds that they allegedly have been tainted by crime.

The argument that the Russian banking system was unprepared for severe competition with foreign banks sounded more meaningful. There are now 2,000 commercial banks and 4,800 of their branches operating in Russia now (one bank for each administrative rayon). At the same time, the oldest Russian commercial bank is only 5 years old. Because they are relatively new, Russian banks can offer clients only 70 to 80 types of service, whereas their foreign competitors are able to provide up to 3,000 types of service. In this connection, subsequent statements by a number of the press conference participants that they did not fear foreign competition appeared to be somewhat contradictory. Especially as reputable Western banks such as Deutsche Bank believe their presence in Russia is premature, according to Sergey Yegorov.

The conclusion that the presence of foreign banks would serve no purpose for the Russian economy appears to be more logical. In the opinion of the press conference participants, opportunities are being made available to pump rubles out of Russia instead of to attract foreign investments. As Mr. Gusinskiy stated, the conditions for reservation of banking capital in Western countries do not make it possible to invest more than \$20 million to \$30 million per year in the Russian economy because of the high degree of political risk. In this connection, the KOMMERSANT-DAILY experts would like to emphasize one thought expressed in the statement by Garegin Tosunyan: in spite of the frequent declarations by the government, the conditions needed for investments by Russian banks in the Russian economy have not been created. Compensation for the absence of a normal investment climate in the country cannot be provided by financial institutions from the West.

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#### **From the ARB appeal to the international banking community**

Consolidation and development of the banking business are almost decisive in beginning the successful formation and development of a market economy. However, the Russian banking system is only coming to its feet, and all the capital of our banks is less than the capital of any foreign bank. This does not mean a fear of competition, but apprehension about the restoration of Russia's national economy and its entry into the world community as an equal partner. The international banking community should also take something else into consideration—there are forces in Russia which take advantage of the presence of foreign banks in our market in order to instill in people's consciousness that national property is being sold off and to break through on this wave to the structures of authority and their powers.

This is why the widespread presence of foreign banks in Russia is premature today. Not only Russia, but the entire world community will lose. We appeal for the declaration of a moratorium on opening branches of foreign banks in Russia for a year and a half.

#### **From the ARB letter to the President of Russia**

In gaining access to our financial market, foreign banks are accumulating a substantial part of Russian funds. It is obvious that they will make use of foreign banks to extend credit to their traditional clients, the foreign companies in Russia, which will not attract the expected Western investments for this reason, but take advantage of our financial resources. This will lead to a significant outflow of Russian national capital and intensify the already critical situation in domestic industry.

We hope the admission of three more of the largest foreign banks into Russia's financial market is the only exception to the procedure which you established, that the government and the Central Bank will require states

in the European Community to allow adequate representation in their countries by branches of the largest Russian commercial banks.

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#### Commentary

It is generally known that the position of Russian commercial banks on the presence of foreign banking structures in the domestic market varies. In this sense, the ARB position reflects only the views on this problem of most Russian banks, presenting a certain average opinion, and it does not take into account the most extreme positions for this reason. A number of banks (for example, the International Moscow Bank and TOKOBANK) consider it possible to open the Russian market for their foreign colleagues now, but others (in particular, the Most-Bank) believe even the period up to 1996 is too liberal.

In the opinion of the ARB leadership, the differences in views are explained chiefly by the different priorities (tactics or strategy) given preference by the banks. For example, the ones which are planning to open foreign branches in the near future or which have substantial foreign funds in their capital prefer not to force the situation.

However, even fervent opponents of the presence of foreign banks in the Russian market would probably soften their position if they had adequate opportunity to open their own branches abroad. But this is not happening at present. It is sufficient to remember the "Stolichniy" Bank's opening of its subsidiary bank in Holland, which was replete with all kinds of nuances. In the words of the bank's president, Aleksandr Smolenskiy, when the "Stolichniy" Bank was finally granted a license, the Central Bank of the Netherlands imposed serious restrictions on it: two of the three bank directors had to be Dutch; the ratio between Russian and Dutch personnel was set at 5 to 1; and restrictions were introduced on service for physical persons and an increase in assets and capital, as well as on the opening of additional branches. According to the bankers, similar conditions apply with respect to foreign banks in most European countries.

But the main apprehension of Russian bankers is that foreign banks will "take over the market," that is, they will win over their clients (to which the mentality of Russian citizens, who are very timid in dealing with anything foreign, will contribute to a substantial degree). But the foreign banks will direct the funds attracted in the market mainly to extend credit to their traditional clients—foreign firms. At the same time, in the bankers' words, four or five of the banks are enough to completely "cut off the oxygen" to the Russian banks. It is obvious in this case that the foreign banks will not be establishing branches and offices in Russian regions—Russians will have to occupy these. This is already quite apparent today, but with the reduction of an unfavorable base for banks, the establishment of branches will become

unprofitable altogether. In following the Russian bankers' logic, it may be said that this will mean stagnation of the national banking market.

#### "Foundation for Ties with Russia" President Fokin Interviewed

944E0959A Moscow *RABOCHAYA TRIBUNA*  
in Russian 17 Jun 94 pp 3,6

[Interview with Vitold Fokin, president of the International Foundation for Humanitarian and Economic Ties with the Russian Federation, by Georgiy Dolzhenko, RT correspondent: "The Deed Must Be Done, Gentlemen"; Kiev, date not given]

[Text] Six months have passed since the International Foundation for Humanitarian and Economic Ties with the Russian Federation was set up in Ukraine. This step inspired hopes for re-establishing collapsed ties and improving cooperation between our countries. Of what was outlined, what have we succeeded in doing? What is within the power of the Foundation? Vitold Fokin, president of the Foundation, answers these and other questions.

[Dolzhenko] Vitold Pavlovich, first, a little history. How was the Foundation created, and what was the reason for its appearance?

[Fokin] That is not a simple question, since it touches on the period of my work as Ukrainian prime minister. I was always an adherent of a well-considered economic policy, and definite calculation in interrelations with the union republics. This pertained particularly to Russia. We should not have severed the established economic ties in ill-considered fashion, and abandoned the ruble zone headlong.

In defending this position, I made quite a few enemies at that time. Let us remember, what happened after the break-up of the USSR? Fifteen new states appeared on the political map of the Eurasian continent, having overnight turned from allies into competitors. Formally independent of each other, they were objectively tied by a common economic space.

Except that now the system for coordinating and dividing up work has changed in principle, and the basic power, transport, raw materials and export-import flows have been destroyed. Price and financial relations have been deregulated. Customs barriers have risen in the path of commodity movement. So far, no system of legislative administration of the markets of the new states has been created, and indeed, is not being created.

In struggling for formally recognized sovereignty, the countries will gradually convert the huge space of the former USSR into a zone of instability and numerous conflicts.

Ukraine is by no means an exception. The disintegration of production, an unfortunate financial and export-import policy, and tremendous foreign debt have led to our economy being cut off from the economy of our neighboring countries.

For a number of objective circumstances, the commanding state structures are incapable of putting matters right decisively. This naturally leads to the appearance of initiative on a different level. Our Foundation has become the expression of the will and striving of the leaders of our prestigious enterprises, scientific and social organizations, creative collectives, entrepreneurs and businessmen to seek and use non-traditional forms of cooperation among the CIS countries. The basis of this cooperation is economic expediency, mutual benefit and mutual trust and honesty.

[Dolzhenko] Does it not seem to you that Russia has only gained from the fact that Ukraine decided to go "its own" way. The Russian economy, as they think, has gone forward, but would it have succeeded in this in combination with Ukraine? Hopes for agreement within the framework of the CIS are very slim: essentially, not one of them will be fulfilled. What do you think about this?

[Fokin] I assume that 99 out of 100 of those polled would agree with you, complaining that reforms in Ukraine are "not moving." Although this is not quite so. They are moving, but every time in a different direction. It is this lack of sequence, the absence of continuity and the multitude of contradictions and mutual exclusions that are holding back progress. This instability is vicious. It makes increasingly perceptible the lagging behind Russia, blocking the already weakened ties between the enterprises of the two countries.

Russia, for example, has long given up the practice of the state order, although, in my opinion, prematurely. The enterprises have become the owners of the products. Most of the production facilities have become joint-stock companies, the securities market is working actively, and the convertibility of the ruble is stimulating small- and medium-scale business.

The main thing, though, is that the psychology of the people has changed. They are already thinking in new categories, and it will therefore be difficult for our state enterprise director to come to an agreement with the president of a Russian joint-stock company. He has completely different powers and interests.

Here, you realize, everything rests on not severing ties or lack of desire to cooperate for political reasons. The different level of development of production relations proves to be the decisive factor. It is extremely necessary to overcome these differences, and not to let them become disassociated. Both the Russians and the citizens of Ukraine are interested in this. The more time that passes since the moment of the break-up of the Union, the more aware we become of the need for these actions.

[Dolzhenko] The direction of the Foundation, in general, is clear, but all the same, just what are its specific goals and tasks?

[Fokin] The goal of the Foundation is all-round furthering of Ukrainian economic and cultural progress through direct cooperation between the enterprises and organizations, and educational and cultural centers of the CIS, above all Russia, and promotion of the integration of the Ukrainian economy into the world system. Our organization is state-social, non-government, and in no way do we intend to duplicate or replace the actions of the government administrative structures. On the contrary, we will take on the functions that are not characteristic of the state under the new conditions.

L. Kravchuk, President of Ukraine, fully understood and supported the idea of creating the Foundation. B. Yeltsin also supported it.

[Dolzhenko] The other day we received information on the registration of the Russian Foundation for Humanitarian and Economic Cooperation with Ukraine.

[Fokin] This is pleasing information. It will now be easier to solve the problems of cooperation. The Foundation was created through the efforts of well-known Russian state and public figures—O. Lobov, Yu. Shafaranik, Yu. Dubinin, L. Zapalskiy, Yu. Astayev, V. Kostyuk and others. The Russian Foundation, like ours, gained the status of a state-social organization.

[Dolzhenko] What are the basic directions of the activity of your Foundation? The humanitarian theme is mentioned first in the title.

[Fokin] We really are devoting a great deal of attention to humanitarian problems. Public health, ecology and, in particular, clearing up the consequences of the accident at the Chernobyl AES occupy a special place.

For example, under the aegis of the Foundation, a project in the field of cytogenetics is being developed. The unique conditions for study, and the very rich base of data on a nuclear accident and its consequences, accumulated at 17 scientific-research institutes and scientific centers, will make it possible to carry out a set of measures to study the effect of radiation on man. Here, wide use will be made of the works of Aleksey Gostev, Russian scientist, a citizen of Ukraine. This courageous man, together with his wife and son, having been living in the 30-kilometer zone for 8 years.

The Foundation also intends to gather and disseminate reliable, objective information, and to cover the subject of the two peoples in detail. Preparation for the publishing of Ukrainian newspapers in Russia has already begun, and links are being set up between the mass information media of our countries.

[Dolzhenko] Considering your former position of prime-minister, and your profound knowledge of the Ukrainian economy, you can hardly watch its decline with indifference....

[Fokin] Naturally. The Ukrainian national economic complex today is fettered by the paralysis of the credit-financial system. After all, the bankruptcy of the economic constituents is, in the overwhelming majority of cases, organized. Holding back clearing accounts and exceeding the credit "oxygen," is the easiest way to destroy industrial enterprises, put them up for auction, and buy them for a song. Here it is no longer a question of decline, but of infinity.

Our Foundation is doing intensive work on creating a multi-functional banking network, which will help to make it possible to set up the passage of payment documents of Ukrainian enterprises to their foreign partners and back. This will make it to a certain extent possible to avoid enslaving dependence on government financial structures and their unpredictable behavior. The participants in the Foundation are becoming the founders of our own bank, with a proposed charter capital of \$5-10 million. Prestigious financial institutions of Russia and the Western countries are being drawn into cooperation.

Because full-value cooperation is possible only with equal starting conditions, and a serious imbalance has been noted, inasmuch as Russia has already virtually completed privatizing state enterprises, the re-establishment of production ties in many ways depends on the rates of privatization in Ukraine.

The Ukrainskiy Finansovo-Investitsionnyy Soyuz (UFIS) AO [Joint-Stock Company], working under the aegis of the Foundation, is assisting in this process. This firm possesses the necessary technology, and is staffed with fine specialists. They are helping to develop a privatization program for enterprises in sectors such as machine building, instrument making, petroleum processing, building materials, biochemistry and the light pulp and paper industry. At the same time, we are striving for a comprehensive approach, encompassing all stages of privatization, from assessing the property to issuing and placing securities, and after that, providing post-privatization service.

In the future, the Foundation will take part in setting up trans-national corporations of technologically linked production facilities, through joint-stockholding. A dealer network of the enterprises of Ukraine and Russia, and vice-versa, is slated for development. We are seriously engaged in drawing in foreign investments. Our assistance to enterprises lies in seeking investors, preparing the documents for extending credit and developing business plans. Information on potential subjects for investment are being disseminated along Foundation channels to the West.

[Dolzhenko] Vitold Pavlovich, when I listen to you, I keep thinking: why didn't you put such alluring ideas into effect before, in your days as premier? By the way, how did you, in your opinion, leave Ukraine's economy, and how do you assess it today?

[Fokin] Spare me, I'm not going to give an assessment of either the activity of my predecessors nor my successors. This is an unworthy occupation. One thing I can say, quoting impartial statistics. By the autumn of 1992, distinct signs of stabilization appeared in all sectors of Ukraine's economy. In June, the depression came to a halt, and in July and August the increase in the average daily production volume was fixed, not in the ephemeral monetary expression, but in physical indicators.

Wages were paid regularly, and inflation rates were cut to 8 percent. What is there to say? The exchange rate of the dollar was 161 karbovanets, and not 50,000, as it is today. The value of the fixed production capital was brought into conformity with the rise in prices and monetary incomes. So, as compared with today's situation, is this good or bad?

As for converting ideas, the answer may prove to be unexpected: in the sphere of my actual activity, I have scarcely any more rights than in my days as premier. Allowing for the scale, of course. I am now surrounded by like-minded people, and not by dilettantes from parliamentary rostrums.

It is not by chance that the preceding Supreme Soviet of Ukraine ended its activity in such an inglorious fashion. Having restricted the rights of the executive bodies to a nonsensical limit, parliament itself passed sentence. Thank God that it managed without tanks. For almost four years, the country was shaken by legal nihilism. The Cabinet of Ministers should have pursued an active financial policy, but for it, the National Bank was sealed off. The Supreme Soviet managed the Bank, it was preparing a monetary reform. The State Property Fund and the Anti-Monopoly Committee were under it.

I came out in behalf of retaining the state order for strategic goods, since I realized that the brakes must be released gradually, but they accused me of conservatism. I proposed a soft system of state regulation and was branded an anti-marketist. I tried to maintain, in the transitional period, the basic structures of state administration, so that, as the forms of ownership changed, their functions would gradually be turned over to new formations. And what happened? At the beginning of March, from the voting in of one of the deputies, parliament carried out the decision to eliminate the leading sectorial ministries and departments.

It was precisely then that the possibility appeared of mass awarding of state property, in general, to the technical personnel of the newly created structures. The story of Ukraine's exit from the ruble zone occupies a special place in the chronicles of our parliament's evil deeds. I hope that it is still the subject of a special investigation.

Incidentally, your comment is reasonable, the Russian ruble has strengthened its position, by being relieved of a partner such as Ukraine. But enough about that. The difficult, tense work that lies ahead of us to re-establish



the economy is incredible, and I have great hopes for the start of the new Supreme Soviet's activity. I wish it success with all my heart.

[Dolzhenko] Do you not regret today your unrealized dreams, and certain plans?

[Fokin] I have an urge to say: "No, I have no regrets." But this would not be true. Indifference is not inherent in me, nor is groundless optimism. I can clearly see what political ambitions and national arrogance can do to the economy. I regret the wasted efforts, the unrealized intentions. I will permit no thoughts of hopelessness, though. I often repeat the words of Chekhov's hero: "The deed must be done, Gentlemen."

### Means for Combating Counterfeiting Operations Discussed

944E0977A Moscow ROSSIYSKIYE VESTI in Russian  
23 Jun 94 p 4

[Article by Nikolay Fedorov: "How to Recognize Counterfeit Money"]

[Text] The number of counterfeit ruble bank notes, bank notes of convertible currency, and state securities in cash turnover have increased sharply in Russia and other CIS countries. The following figures indicate the dynamics of such crimes: last year they increased at a rate of over 2,120 percent and more than 7,060 cases of counterfeiting—21 times more than the previous year—were recorded. But if the difficulty in recognizing the counterfeit money is taken into account, many more of the crimes are actually being committed.

In analyzing the reasons for this type of crime, the specialists associate it with the interruption or weakening of economic ties among the republics. Taking advantage of this situation, criminals are actively saturating the currency market with a large number of counterfeits, including those with high printing quality. The fact that the free circulation of ready cash in foreign currency was banned previously in the Soviet Union is also very important. And bank and cashier personnel had no experience in determining the authenticity of one bank note or another. Even now they have practically no experience.

On the other hand, there is a convincing explanation for that. The extent to which even specialists are informed in determining the authenticity of paper bank notes has been extremely meager thus far. For example, they lack professional descriptions of SKV [convertible currency] bank notes, as well as the methods of identifying the means of protection and determining the authenticity of paper money. There is not enough of the equipment needed to test the bank notes.

There are specialized reference publications from Interpol, but they have not been adapted to conditions in the CIS countries and they are inaccessible to most users because of their high price.

The problem of combating the counterfeiting of money and its further illegal use is many-sided. And law enforcement and other organs have been called upon to play a specific role in solving it. But what is most important, it seems, is to improve the skill in this area of specialists in the financial field, as well as all citizens. The Moscow publishing firm "Ivan and Partnership" has made its contribution to a solution of this problem. It has begun turning out reference and procedural literature which makes it possible to test and expose counterfeit bank notes with a high degree of reliability. This work is being conducted with the participation of specialists from the Central Bank and the Russian Ministry of Internal Affairs.

According to the assessment of specialists in law enforcement organs, publications by the "Ivan and Partnership" firm contain the most complete description of convertible currency bank notes with a detailed analysis and illustration of the elements and degree of protection. In other words, the publications help one see for himself the high quality of printing in the bank notes. It is very difficult for any one of the counterfeiters to achieve such a level of quality. So it turns out that the workmanship here actively withstands counterfeiting.

In addition, in the experts' opinion, the firm's publications have an advantage over a similar publication from Interpol because of their saturation with information and simplicity for the user.

It is worth noting that the Russian Federation Ministry for Cooperation With CIS Member-States is very concerned about prospects in the struggle against counterfeiting. Incidentally, it conducted a special analysis of reference literature, both domestic and foreign, on the problem of exposing counterfeit bank notes and monitoring their authenticity, and it found the "Handbook on Convertible Currency Bank Notes" [Spravochnik banknot SKV] published by the "Ivan and Partnership" firm to be the most promising at this time.

There is a direct recommendation from the Ministry for Cooperation With CIS Member-States to organizations in CIS countries that they devote their attention to this handbook. They believe here that it contains a volume of knowledge that is unique in the world, and much of it is being published for the first time. The book actually presents a new system for visually monitoring the authenticity of bank notes on the spot. In short, the publication may become an indispensable aid both in banking and currency and cashier operations, as well as for the activity of criminological experts in law enforcement organizations. Let us hope that it will help us to climb one more step on the stairway leading to a civilized market.

## POLITICAL AFFAIRS

**Deputy on Mafia, Deputy Shooting**

944K1485A Kiev NEZAVISIMOST in Russian  
10 Jun 94 pp 1,3

[Interview with Colonel Hryhoriy Omelchenko, member of the Supreme Council Presidium and chairman of the Commission on Matters To Combat Organized Crime and Corruption, by Aleksandra Parakhonya; place and date not given: "Hryhoriy Omelchenko: 'We Will Not Talk Only About the Mafia and Corruption. The Subject Will Be the Attempts To Destroy Ukraine Economically as an Independent State!'" ]

[Text] As is known, passions raged last Friday in parliament's session hall. After a political statement by Yu. Zvyahilskyy and a letter signed by 122 deputies, the session decided to discuss the question of the situation that had arisen in connection with the attempt on the life of people's deputy Vladimir Bortnik.

We understand that an investigation is under way and that many circumstances and details regarding the tragic events of 30 May have still not been made known to us. Nevertheless.... are there not too many contradictions in the actions of the highest-ranking officials? Are there not too many "white spots" in this—let us say right out—"dark" affair?

Aleksandr Parakhonya, our correspondent, asked Colonel Hryhoriy Omelchenko, member of the Supreme Council Presidium and chairman of the Commission on Matters To Combat Organized Crime and Corruption, to comment on the situation.

[Omelchenko] I like and respect NEZAVISIMOST very much. That is why, although quite a few journalists have come to me with similar requests these days, I am granting this interview only to your newspaper. Neither Yu. Zvyahilskyy's political statement nor the letter signed by 122 deputies (as is known, People's Deputies Yu. Spizhenko and Yu. Boldyrev were the organizers for collecting the signatures) were unexpected by myself personally and many other people's deputies. Sooner or later, something similar had to be heard. I would say this: An objective process connected with the investigation of the criminal case regarding the attempt on the life of people's deputy Vladimir Bortnik is under way.

If you recall, I also spoke during that meeting and requested that normal conditions be established for the activity of the investigating operational group and that the safety of the members of this group and their families be assured.

Incidentally, one Kiev newspaper wrote ironically. It wrote that Zvyahilskyy is urging a struggle against the mafia, but Chairman Omelchenko of the commission to combat organized crime and corruption is proposing to keep silent. How much this corresponds to the truth, evidently, does not disturb the newspaper. It is sufficient

to read the verbatim report of my presentation—here it is, read it!—and it will be clear that Omelchenko did not at all suggest to the deputies that there be silence. However, I do not consider it necessary to engage in polemics with this provocation; I will treat such statements with humor. It is natural that this conclusion rang out. It is fully contained in the chronology of events that we forecast and which are following one after the other...

I will also not comment on Mr. Zvyahilskyy's political statement. My evaluation, just as that of any other individual, is subjective. I can agree with some of it and not with other parts of it. However, I would gladly put my signature under the statement's final thesis. In my copy of the session's verbatim report, that paragraph is marked "nota bene." I will quote it for the readers of NEZAVISIMOST:

"As a people's deputy of Ukraine performing the duties of the Ukraine's prime minister, I demand very decisive measures from the Ukraine's Supreme Council to protect the national interest of the state and the honor and dignity of its citizens; the investigation of all (we stress the word 'all'—G.O.) circumstances concerning the attempt on the life of people's deputy Vladimir Bortnik: rigorous observance of law, order, and legality; and the establishment of an effective legal mechanism."

I vote with both hands for this formulation of the question, and I will do everything that depends on me so that ALL circumstances in the Bortnik affair will be investigated with strict observance of legality and law and order.

[Parakhonya] Are you confident that the one who fired at Bortnik will be found? Who do you think it is?

[Omelchenko] In this case, who the specific individual is that made the attempt on the life of the people's deputy is not as important as who is behind him and who aimed his hand. One must determine the motives for the crime. As the ancients wisely said—who benefits?

Some officials hope very much to keep the motives secret. I will not mention names now for the sake of the investigation. I will pose the question of establishing a Supreme Council investigating commission, which will be able to investigate this matter fully, thoroughly, and objectively, jointly with the general procurator's investigating operational group, to the session of the Ukraine's Supreme Council in accordance with Article 109 of the Constitution—to dig down to the sources and to the roots! Moreover, I will secure from the Supreme Council and its Presidium the pronouncement of a decree on conducting a thorough inspection of the financial and economic activity and hard currency accounts of the concern that people's deputy Vladimir Bortnik heads, and also of the other state institutions, commercial structures, and commercial banks—both domestic and foreign—with which Ukragrotekhservis has conducted financial and economic activity. Only by conducting this comprehensive inspection, and then an expert legal and

bookkeeping examination, can we and you establish (I do not doubt this!) the true motives for the attempt on Vladimir Bortnik's life.

Incidentally, Ukraine's Security Service has twice charged the monitoring and auditing department of Ukraine's Ministry of Finance to conduct a thorough inspection of the activity of Ukragrotekhservis and of the state and commercial structures connected with it. Up until now, this decision of the SBU [Security Service of Ukraine] has not been carried out. I intend to raise the question about the responsibility of officials from the Ministry of Finance's KRU [monitoring and auditing department] for the failure to implement the Law on the Organization and Legal Bases for Combating Organized Crime. It clearly states: The duty of all state structures, including the KRU, is to carry out rigorously the decisions of the SBU, the general procurator, the MVD [Ministry of Internal Affairs], and other subunits engaged in combating corruption and organized crime.

I will refrain from evaluating—politically, morally, and ethically—the strange inactivity of the KRU in this matter. I will, however, see to it in every way possible that the decree on the appointment of this inspection body be carried out by the Supreme Council Presidium, as was done in 1990, when the Presidium appointed a similar inspection agency to investigate the circumstances connected with the misappropriation of assets allocated to eliminate the consequences of the Chernobyl catastrophe.

The programs of a majority of the people's deputies contain quite a few correct words and vows to the voters to struggle resolutely against the mafia and corruption. That is why I nevertheless believe that my proposal to establish a Supreme Council investigating commission and to ensure normal conditions for the work of the operational investigation group's members will be supported. If we succeed....Lord willing! I hope and am confident that we will manage to bring this affair to a complete end, and then.... it is difficult for me to say this phrase; but then we will no longer talk only about the mafia and corruption in the highest echelons of power. The subject concerns attempts to destroy Ukraine economically as an independent state!

No matter what it costs, I will do everything to investigate this matter until the end.

[Parakhonya] On Friday, extremely serious accusations addressed to V. Datsyuk, the general procurator, sounded from the parliament rostrum. It seems to me that some of our deputies are simply incapable of remembering that they represent the first, the legislative, and not the third, the judicial, branch. What is more, Yu. Spizhenko, the minister of health, quoting his medical colleagues, reported that the police workers who protected V. Bortnik were drunk....

[Omelchenko] Here on my table are documents: The examination of the policemen was conducted at the time, 31 May, by the on-duty medical personnel at that

same emergency hospital. All were sober and acted in accurate compliance with instructions. I will say one thing: Neither Yu. Zvyahilskyy nor Yu. Spizhenko, who arrived during the night at the hospital where the wounded deputy was located, have any justifying motives. Yes, a vital need to send V. Bortnik abroad could have arisen (we will not specify—did it arise?) in order to provide him with qualified medical help there. However, knowing that the wounded man was under protection and that an investigation was being conducted—however, they were not able to know about this—it was necessary, at a minimum, to secure the permission of Ukraine's procurator general to see the patient.

[Parakhonya] Perhaps I am posing the question amateurishly; however, the supposition suggests itself that a concern for V. Bortnik's health was not the only reason for his urgent dispatch abroad. It looks as if something else worried the organizers of this trip. Was it impossible to allow the leaking of some information?

[Omelchenko] The question is not at all amateurish. You are looking directly at the root. I can answer—in the aspect, let us say, of a version. It is one of the working versions of the investigation. In addition, I can justify this version using evidence existing today. I will not do this for one simple reason—so as not to agitate unnecessarily public opinion about this criminal case. However, I promise your readers that I will tell everything without fail as soon as it is possible to do so without harming the interests of the investigation.

Knowing practically all aspects of this criminal case and everything that is occurring around it, I was again convinced that we vitally needed a note about Section 4 of Article 111 in the Constitution and Articles 27 and 28 in the law concerning the status of a people's deputy in Ukraine. The subject in them concerns a deputy's immunity. I intend to submit the question of the repeal of these articles to the Supreme Council session.

The deputy's immunity, which our people's deputies possess at all levels, no longer exists anywhere in the world. This is some kind of feudalism! I think that the law's propositions concerning who can institute proceedings against a people's deputy should be formulated approximately as follows: "A criminal case concerning a people's deputy of Ukraine can be instituted by the general procurator, oblast procurator, procurator of the cities of Kiev and Sevastopol, or persons acting as general procurator, procurators of the oblasts, and procurators given the same status as them. The criminal case should be heard by Ukraine's Supreme Court." Concerning deputies of local soviets, a criminal case against a deputy should be instituted by the appropriate procurator—rayon, city, or oblast—and heard by the oblast court.

That is all! There should not be any other limitations in the criminal procedure or any special procedure for instituting criminal proceedings against deputies.

[Parakhonya] However, you see, provocations, squaring of accounts, etc., are possible against deputies (and against you also—no, against you in particular).

[Omelchenko] If a deputy does not break the law, does not commit crimes, and is not connected with the mafia and corrupted commercial structures, banks, etc., he has no reason to fear anything or to be apprehensive—the more so since a procurator, before instituting criminal proceedings against a people's deputy, will weigh and recheck everything a thousand times—the responsibility is too great.

I consider the problem of a deputy's immunity to be the Rubicon which our Supreme Council simply must cross.

[Parakhonya] I very much doubt that parliament will take this step.

[Omelchenko] Let the deputies recall their campaign promises, programs, and vows to fight against the mafia and corruption. They are able to carry them out and show precisely how the question of a deputy's immunity will be solved. It will become a kind of litmus-paper that will immediately reveal who is who.

[Parakhonya] You will insist on a role-call vote?

[Omelchenko] Simply!

[Parakhonya] It seems that the case of V. Bortnik has shown how vulnerable our deputy's immunity is. By no means do I have in mind only the fact that a people's deputy with his immunity can be wounded, just like any other ordinary mortal. Certain forces behind the scenes can also direct his actions. The fact of under what conditions and how the question was decided to send V. Bortnik urgently to Vienna testifies to the sweeping capabilities of the "opposite side." The work of the investigating operational group and the Commission on Matters To Combat Organized Crime and Corruption will encounter (is already encountering?) a certain opposition.

Or is this a secret? If possible, a few words about the operational investigating group.

[Omelchenko] Let us begin with the latter. The group contains high class professionals from the general procurator's office, SBU, and MVD—investigators and operational workers. Working indefatigably, the investigators work approximately 16-18 hours a day. The operational people work even more; the week that passed after the day of the crime was practically a week without sleep for them.

Now about the opposition. However strange it may seem, one must render it its due. Anonymous "well-wishers" somehow know the home telephone numbers of the members of the group that is investigating this criminal case. Recommendations, so to say, "not to dig deeply" were first addressed to them. Next, blackmail was set in motion in the case—promises to publish some

devastating material that would compromise the group's leadership. Threats of physical violence have also already been heard.

[Parakhonya] You see, the lads in the investigating operational group have wives, children....

[Omelchenko] That is why the group's members were forced to take definite actions to protect the life and health of their relatives and relations and, naturally, take a number of necessary steps to establish conditions—even if only minimal—for the group's normal functioning.

[Parakhonya] In your view, how will the situation develop?

[Omelchenko] It will be possible to see a great deal after parliament adopts a decision to establish a Supreme Council investigating commission, and when a decision has been taken at the Presidium level, to conduct a thorough financial and economic review of Ukragro-tekhservis and the structures connected with it. At that time, events will begin to develop swiftly.

[Parakhonya] Are you confident that an affair of this scope will be a unique one in your work as chairman of the parliamentary commission?

[Omelchenko] It is not the attempt itself on the deputy's life but that which is connected with this case that does not at all surprise me. This case is one of an extremely average level, since today corruption and the mafia clans have actually eaten away at the state. The people have probably lost faith already in the ability to conquer this terrible evil. One would like to believe that this Supreme Council is able to do something useful. Would that God would let us establish a special subunit in the SBU to fight corruption, which has still not been established, including through the fault of the former Supreme Council. It is no less urgent to adopt—even if only the first ones—laws regarding the struggle against corruption and organized crime and to give a legal definition of the concepts: "mafia," "corruption," and "organized crime." The Supreme Council planned to do this last year; however....

[Parakhonya] You said that people have probably already lost faith in the fact that it is possible to defeat the mafia and corruption. You and those who are engaged in investigations possess information that is not even dreamed about in a terrible dream; have you preserved this faith?

[Omelchenko] That is a very difficult question.... Sometimes workers engaged in combating corruption and organized crime remind one of Don Quixote or fanatics who continue their struggle despite any logic. They beat their heads against the wall and the result is often nothing....

I will speak frankly. Previously, specialists in this field at times left the work because the pay did not suit them. I do not wish to judge them; each has his own problems



and living circumstances. However, young people are now leaving us at times for quite different moral and ethical motives: The work is dangerous and risky and is running free. To beat one's head against a wall is a dishonorable occupation.

I want to emphasize once again: The adoption of radical and very decisive legal measures to combat this terrible evil is necessary—of course, with the parallel adoption of economic laws. However, without legal ones, economic laws (you see, where is corruption rooted?—in the economy) will not work. If we do not repeal a deputy's immunity, one can give up the struggle against corruption and the mafia as a lost cause.

### Easterners Seen Politically Apathetic

944K1540A Moscow NEZAVISIMAYA GAZETA  
in Russian 15 Jun 94 p 3

[Article by Vladimir Skachko: "Once Again, a Struggle for an Independent State: Opposition Attempting To Unite"]

[Text] At a news conference in Kiev of the "Ukraine" Association of Democratic Forces, its newly elected leader, Dmitriy Pavlychko, the well-known poet and deputy of the former Ukrainian parliament, affirmed for the umpteenth time the defeat of the national democratic forces at the parliamentary elections and called on all nationally aware politicians for unity lest this situation be repeated at the forthcoming presidential elections. In Pavlychko's opinion, the reasons for the defeat of the Ukrainian national democrats were the most profound economic crisis, the nostalgia that it has caused for the former times, inadequate political experience, and, of course, the absence of unity, which enabled the ruling nomenklatura "to heap the blame for what has happened on the national democrats." Dmitriy Pavlychko declared: "The very idea of Ukraine's independence is being called in question today. We are once again in a phase of struggle for an independent state." In his opinion, the national democrats should in the current situation renounce the protracted euphoria from the acquisition of state independence and attempt to link the idea of statehood with that of social justice, since anti-market views prevail in the present Supreme Council, and members of parliament are adopting a policy of a return to the command-administrative system. Pavlychko agreed that it is, indeed, today necessary for regulation of the economy on the part of the state, but that this should be done in the interests of the poorest strata of society and that "we cannot return to the socialist capitalism under which we lived for 70 years."

Dmitriy Pavlychko cited the two principal most important tasks of the democratic camp: victory at the parliamentary by-elections for 112 people's deputies of Ukraine on 24 July and concerted support for the progressive candidate at the upcoming presidential elections. Pavlychko announced that the "Ukraine" Association has been able to agree on and put forward 73

united democratic candidates and that he would be pleased if only half of these were to win. In the opinion of Vladimir Klimchuk, leader of the Liberal Democratic Party of Ukraine, the parliamentary by-elections are today the democrats' most important tasks, since it is they that can, if not alter the correlation of forces in parliament in favor of the democrats, then in any event, preserve for them the opportunity to ensure that the left cannot have in parliament a constitutional majority and cannot adopt a constitution and laws to their advantage.

Apropos the presidential elections, Pavlychko said that the leaders of national democratic parties and movements had attempted to unite and had created a coordinating council of chairmen of political parties, which is to define a common approach to the presidential campaign and determine the candidate to be supported. At the same time, on the other hand, the leaders of the democratic association affirmed that they had been unable thus far to formulate a common strategy and tactics at the elections and had not settled on a single candidate. According to Dmitriy Pavlychko, the democrats should proceed, meanwhile, from the fact that they must under no circumstances "support regression" and should, consequently, oppose, in his opinion, the anti-Ukraine and antimarket programs of former Prime Minister Leonid Kuchma and the present speaker of parliament, Aleksandr Moroz, leader of the Socialist Party. In Pavlychko's opinion, democrats should support the "lesser of the two evils." Dmitriy Pavlychko declared that this candidate today is Leonid Kravchuk, who alone could worthily confront both Leonid Kuchma and Aleksandr Moroz, uphold Ukraine's independence, and be a predictable politician. "We are today at the Rubicon: Either you are for Ukraine or you are against it," Pavlychko summed up, and added that the ideal situation would be the distribution of the highest offices of state among all the dominant political forces and their leaders. Specifically, Pavlychko believes, Kravchuk would be acceptable as president, and Moroz, as speaker of parliament, and Ivan Plyushch and other presidential contestants would join a government of reforms and all-Ukraine accord.

As far as Ukrainian society itself is concerned, it is, as before, in a state of social apathy. This may be confirmed, for example, by the data of a sociological survey of 1,200 persons from eight eastern and southern oblasts of Ukraine and the Republic of Crimea. The poll was conducted by the Democratic Initiatives center. Only 41 percent of those polled recalled that on 1 December 1991 they had supported Ukraine's independence. Also of interest are the responses to the direct question: "If you had once again to participate in a referendum on questions of the state independence of Ukraine, what would your choice be now?" Forty-seven percent believe that they would oppose Ukraine's independence, 24 would respond positively, 12 percent would not take part in the referendum at all, and 17 percent did not know. Such lamentable data after two and one-half years of Ukraine's independence are, according to the sociological poll, the result of the ill-conceived policy of the

national leadership. Some 37 percent of those polled cited together with other factors as the main cause of the crisis the reluctance or incapacity of the leadership of Ukraine for implementing market economic reforms. Among the other causes, citing three alternative answers, 34 percent of respondents consider the main cause of the crisis the collapse of the Union; 28 percent, the absence in Ukraine of strong and authoritative leaders; 25 percent, the absence of a realistic program of an escape from the crisis; 26 percent, the incompetence and irresponsibility of the government bureaucracy; 28 percent, the activity of the mafia; and 14 percent, the lack of discipline and order in society.

Only 23 percent of respondents believe that Ukraine could emerge from the crisis in the coming years; 39 percent are sure that it can overcome the crisis in the coming years, and 21 percent are sure that Ukraine can never emerge from the crisis; a further 15 percent did not know.

Those polled were just as pessimistic about the coming presidential elections. Twenty percent declared that they would not be voting at all; 42 percent had not decided for whom they would vote; 21 percent gave as their choice former Prime Minister Leonid Kuchma; 7 percent, the present president, Leonid Kravchuk; 4 percent, the socialist Aleksandr Moroz the speaker of parliament; 3 percent, Volodymyr Lanovyy, former deputy prime minister for economic reform; and 2 percent, former speaker Ivan Plyushch. Responding to a question as to what Ukraine needs to do first and foremost, 41 percent of those polled cited the assurance of government social safeguards for the working people; 32 percent, the restoration of the USSR; 26 percent, the imposition of order in society by any methods, power methods included; 22 percent, support for enterprise; 21 percent, a return to the socialist model of development with state regulation of the economy and the system of distribution; 25 percent, the introduction of Russian as a second official language; and only 15 percent, a strengthening of the Ukrainian state.

Evaluating the activity of the political parties, 52 percent of respondents declared that the parties are engaged exclusively in a struggle for power; 8 percent, that parties are an essential component of the democratic development of society; 7 percent, that they express the interests of the mafia; and 6 percent each declared that the parties contribute to the emergence of conflicts or that they defend people's interests. The rest of those polled had difficulty answering the question on the role of the party in society.

Responding to a question concerning the prospects of Crimea's existence, 48 percent of those polled replied that they would like to see it as an inalienable part of Ukraine; 16 percent, that Crimea should be an independent state and 10 percent, that it should become a part of Russia; 7 percent proposed other options, and 18 percent did not know. According to the data of this survey, the people of Ukraine are, as before, in a state of political

apathy. Only 32 percent of those polled are prepared to take part personally in strikes with political or economic demands; 38 percent agree to put up with any material difficulties provided that calm and civil peace be preserved in the country; 14 percent of those polled responded that the political struggle did not concern them; and 16 percent did not know.

### **Lvov Kravchuk Support Seen Conditional**

*944K1511A Kiev NEZAVISIMOST in Russian  
15 Jun 94 p 2*

[Article by Viktoriya Andreyeva under the rubric "View-point": "Patches on the Wet Asphalt. Untimely Reflections Evoked by L. Kravchuk's Visit to Lvov"]

[Text] To exploit the theme of painting the grass green and other "Potemkinian" actions in preparation for the arrival of important guests is banal to say the least. And to clean house—your own personal one or our larger one—if someone has been invited there is nice, and the citizens of Lvov could only stand to gain from building up a pleasant square and cleaning up the area near the Grushevskiy Monument. It is simply that I recalled a line which seemed symbolic. They patched up the asphalt on the streets through which the important guest was to pass. They put hot patches on the pavement which was wet after the rain. Specialists say that this method of mending is pointless, because it will not last. The same sense of necessity-hopelessness arose after the festive "commitment" of the Halychyna to presidential candidate Kravchuk.

Gathered in the Polytechnical Institute, as they say in such cases, were the community of the oblast. The main thing heard there was an unequivocal promise from the lips of the president's representative, Stepan Davymuka: The authorities, the political organizations, and the majority of the population of the Lvov area support presidential candidate Leonid Makarovych. No objections followed. Moreover, one of the most influential, as far as influence on the rank-and-file voter goes, forces, the Greco-Catholic church, through the lips of Bishop of Zborovskiy Mikhail, declared support for Kravchuk. True, a veiled condition was imposed—that he complete the process of rehabilitation of the Ukrainian Greco-Catholic Church, which had been crucified and banned by Stalin. The year on the calendar is not 1989, and it will not be difficult to meet that condition.

Kravchuk was never one of the favorites in the Lvov area. Moreover, Lvov politicians seem to have gathered points for the opposition. And a week or two ago the breakdown looked different: They were clearly inclined to support I. Plyushch. When the crowd flowed out of the Polytechnical Institute onto the street, I forced my way through to the chief of the Lvov Rukh organization, Yuriy Klyuchkovskiy, to ask him a question: In his view, did the president's representative have the right to speak so unequivocally "on behalf of and on instructions from"? "Let me put it this way, he did not say anything

so terrible." Klyuchkovskiy answered. "Yes, Lvov Rukh members support Kravchuk. This is in line with the opinion of the Rukh high council: to make the decision independently in the local areas concerning support of the candidate for the post of president. To adopt a decision which will help block the advancement of Kuchma and Moroz to the high position." The chief of the secretariat of New Wave [preceding two words in Ukrainian in original], Yuriy Shveda, put it this way: "We also support Kravchuk. In opposition to Kuchma's pro-Russian position and Moroz's pro-communist position, which are dangerous for Ukraine. Incidentally, we are not withdrawing our complaints against the current and potential president—failure to conduct economic reforms and his personnel policy. But Plyushch? Well, anything can happen, but in our view, Ivan Stepanovych lost the first round in parliament. We see a real standoff between Kuchma and Kravchuk."

I wanted very much to learn the opinion about what was taking place of Halychyna's favorite, the clear winner in the last presidential elections in the West, the eternal opponent and severe critic of Kravchuk, V. Chornovol [as published]. I met him on an empty street in the center—everyone had gone to the Grushevskiy Monument, where the president was just about to appear. Vyacheslav Maksimovych, judging from everything, was headed there too. I am probably exaggerating and transferring my creative-opposition sadness to others. But...on this street, swept clean for the holiday for "welcoming the sovereign," I did not approach this exhausted person. Our conversation took place later, in the evening, in the packed theater imeni Mariya Zankovetskaya.

But for now...you know, it is possible to get into a "shotgun wedding" in all kinds of ways. But the Lvov authorities were actually gleefully kicking up their heels. Respect for the legitimate president is one thing, but the phrase spoken even after the business conversations, the phrase of that same S. Davymuka, in my opinion, caused even the main hero to cringe. And so with a coquettish grin and almost a tear of emotion: "We give you, Leonid Makarovych, the strictest possible instruction: Win, please!"

The people love holidays. And "sovereigns." It is easy to forgive them everything—for the holiday. The people gathered there to see the president's earlobe, his shoe. The sun was shining. It bathed the monument to the tragic president, who was destroyed by the UNR [Ukrainian People's Republic]—Mikhail Grushevskiy. The chorus sang "Chervona Kalina." The president listened. On these cobblestones these same Lvov residents who are actually and naturally devoted to the idea of state independence five years ago were beaten with the militia's clubs for singing "Chervona Kalina." At that time Kravchuk was battling it out with Rukh for the Central Committee of the Communist Party of Ukraine.

Enough sentiments. Leonid Kravchuk can count on the support and love of the people of Halychyna if only

because he has unequivocally declared and repeated in Lvov: There is no turning back. Ukraine can only be independent, only an integrated state. Politicians, including those in the opposition, also like the predictability of the actions of this president: A known "disease" is always better than an unknown one. Here are the words of Vyacheslav Chornovol [as published]: "The situation has developed in such a way that it is necessary to support Kravchuk. But not without reservation, it is necessary to make several ultimatums. I am afraid of having Kuchma as president. He wants to make us subordinate to the military-industrial complex not only of Ukraine, but also of the former Union. Yes, I am also afraid of having Kravchuk as president, but less so. We already know which "buttons" to push in order to influence this president in one way or another. But as Chornovil [as published] the voter, I give my vote to Volodymyr Lanovyy."

There is no point in listing past sins. What do they have to do with present sins? Kuchma, of course, would put Ukraine in the hammerlock of the "older brother." The socialist Moroz would put us back where we were before. In addition to everything else, neither one is likely to lead the movement along the path of radical economic reforms.

And Leonid Kravchuk? Let us hope that he will maintain relative political stability, that through his flexibility and a certain amount of international prestige, he will be able to preserve the civil peace in Ukraine and peace on its borders. Perhaps he will be able to be a candidate who is equally acceptable to the East and West. And what about the reforms? What about the team of those who could conduct the reforms? What about the need to settle (judging from everything, with jobs) with the left and the nomenklatura? After all, an effective opposition is being formed, it will roll up its sleeves and start looking for the "buttons"....

There was another interesting pre-holiday incident. Two days before the monument was uncovered, at about 12 midnight, I saw the sculpture bare, without its traditional cover, and an alarmed group of militia officers on the square at night. Toward morning the monument was covered as it should be. I do not know how reliable this is, but an authorized person told me in a personal conversation: That night the cover was simply ripped off.

Aleksandr Blok. The poem "The Twelve." The year 1917. Remember the text? The old woman is standing in front of an immense banner and grieving: Many mothers were tormented, saying, "So many foot bindings could be made for the boys....But everyone was unshod and unclothed."

## ECONOMIC AFFAIRS

### Edict on Urgent Measures for 1994-1995 Financial-Credit Security

944K1445A Kiev PRAVDA UKRAINY in Russian  
7 Jun 94 p 2

["Edict of the Ukrainian President on Urgent Measures for Financial-Credit Support in Forming State Food Resources in 1994-1995"]

[Text] Considering the state of financial-credit support that has taken shape in the Ukrainian agro-industrial complex, the necessity of forming state food resources for 1994-1995, and also the proposals of the Ukrainian people's deputies on these matters, I decree:

1. Before 1 July 1994, the Ukrainian Cabinet of Ministers will examine the question of price formation in the agro-industrial complex, starting from the need to observe optimal parity between prices for agricultural output and raw materials and industrial output.

2. The Ukrainian Cabinet of Ministers, in agreement with the Ukrainian National Bank, will grant, on a priority basis, in June-September 1994, special-purpose credits to enterprises and organizations of the agro-industrial complex against state contracts and orders for delivery of agricultural output to state food resources and for preliminary payment for animal husbandry products within the limits of the possibilities of putting a primary credit emission into circulation for this period.

The Ukrainian Cabinet of Ministers, in agreement with the Ukrainian National Bank, will within 10 days direct 1.7 trillion karbovantsy, taken from the return of stabilization resources, to enterprises of the meat, dairy, canning, food, and other sectors of industry that process agricultural output and raw materials to make payments to the commodity producers of the agro-industrial complex for agricultural output and raw materials purchased.

3. It is established that, in 1994-1995, the Ukraine joint-stock commercial agro-industrial bank will perform state functions associated with credit, settlement, and currency services to the enterprises and organizations of the agro-industrial complex in their activities aimed at generating state resources of foodstuffs. Procedures for performing these functions will be established by the Ukrainian Ministry of Finance in coordination with the Ukrainian National Bank.

4. It is established that, beginning on 15 June 1994, commercial banks will direct 10 percent of their mobilized credit resources to credit for enterprises and organizations of the agro-industrial complex and to purchase certificates of deposit of the Ukrainian National Bank.

It is established that for commercial banks that direct mobilized credit resources to credit for enterprises and organizations of the agro-industrial complex and to purchase certificates of deposit of the Ukrainian

National Bank, the income tax rate for the part of income received from these credits and certificates of deposit will be lowered to 11 percent.

Credit at an annual interest rate of 30 percent will be granted to enterprises and organizations of the agro-industrial complex to finance state agrarian programs.

The difference between the rate at which credit resources are attracted (not greater than the discount rate of the Ukrainian National Bank) and the 30-percent rate for credit use will be compensated for from the Ukrainian State Budget.

During preparation of proposals to specify the indicators of the 1994 Ukrainian State Budget, the Ukrainian Ministry of Finance will envision the appropriations necessary for this.

The Ukrainian Ministry of Finance, with the participation of the Ukrainian National Bank, will within 10 days develop and ratify the procedure for forming and using mobilized credit resources, keeping records of the commercial bank income received in this, and applying tax to such income.

5. The Ukrainian National Bank, with the participation of commercial banks and the appropriate ministries and departments, will within 10 days define and institute a mechanism, mandatory for commercial banks and their debtors, for transferring indebtedness on loans granted out of credit resources that the state has granted to agricultural commodity producers and enterprises of the processing and mixed feed industries to the purchasers of their output.

6. Before 1 July 1994, the Ukrainian Cabinet of Ministers will see that procurement and processing enterprises and organizations are given 50-percent advance payments for agricultural commodity producers against the state contract, including advances for seed for agricultural crops and for pedigreed livestock, and they will envision the appropriations needed for this during preparation of proposals to specify the indicators of the 1994 Ukrainian State Budget.

7. The Ukrainian National Bank will establish a most favored status for commercial banks that take part in carrying out priority agrarian programs.

Agricultural enterprises and organizations will make extensive use of the credits received against the security of their output. In this connection, one exception will be established for them in payment of the state fee for registering security; it will be 0.3 percent of the value of the property used as security, but not more than 5 million karbovantsy.

8. It is established that enterprises of the wholesale and retail networks, regardless of their form of ownership and including consumer cooperative enterprises, will use all of the earnings they receive, with the exception of the trade margin, from the sale of agricultural output and



food bought from the producers of Ukrainian agro-industrial output exclusively for settling accounts with those producers. If these earnings are used for other purposes, the tax inspectorates will impose an indisputable penalty of three times the amount used improperly, to be paid to the local budget.

9. It is established that wholesale and retail trade enterprises, regardless of their form of ownership and including consumer cooperative enterprises, must pay a fine of 3 percent of the total payment to suppliers of agricultural output, raw material, and food and a 3-percent payment to the local budget for each day payment is overdue after a three-day period, unless a larger penalty is envisioned by agreement.

The Ukrainian National Bank will institute a procedure for collecting this fine from its clients who violate payment discipline by a nonacceptance withdrawal.

10. The Ukrainian State Committee on Material Reserves will put an additional 90,000 tonnes of animal fat and 30,000 tonnes of meat into the state reserve in June-August 1994.

The Ukrainian Cabinet of Ministers will ensure timely payment for this output and envision the means for this in the state budget.

11. The government of the Republic of Crimea and the oblast, Kiev, and Sevastopol state administrations, with the participation of the Ukrainian Ministry of Agriculture and Food and other interested ministries and departments, will ensure that, before 10 June 1994, the accounts of agricultural commodity producers and enterprises of the processing industry with organizations of wholesale and retail trade, regardless of forms of ownership and including consumer cooperatives, for agricultural output and processed food products delivered as of 1 June 1994 are reconciled.

The purchasers of agricultural output and processed food products are obligated to complete payment for the output received before 15 June 1994.

Article 9 of the present edict will apply to enterprises who do not ensure timely payment for output received.

12. In connection with the present Ukrainian presidential edict, Edict No. 458, dated 15 October 1993, entitled "Payments for Deliveries of Food and Agricultural Output" is declared repealed.

13. The Ukrainian Cabinet of Ministers and the Ukrainian National Bank will bring normative enactments published earlier into line with the present edict.

14. The present edict goes into force on the day it is signed.

[Signed] President of Ukraine L. Kravchuk  
City of Kiev, 2 June 1994

### **Nuclear Power Fastest Developing Energy Source**

944K1444A Lvov POST-POSTUP in Ukrainian No 18,  
3-9 Jun 94 p b5

[Unattributed article under the rubric "Business: Energy Supplies": "Nuclear Electric Power Stations Are Ukraine's Fastest Developing Energy Source"]

[Text] Despite the post-Chernobyl wave of protests in Ukraine against the exploitation of nuclear electric power stations [AES] and the development of nuclear power as such, the latter remains the most effective energy source in the world. No one in the world is giving up the energy produced by nuclear power stations, and Ukraine is no exception to this. In 1993, Ukraine's AES produced 32.7% of the total volume of electricity generated by the country's electric power stations. From the standpoint of production effectiveness, the figure "32.7" can be regarded as a unique achievement, for as recently as 1990 this indicator measured only 25.5%.

Understandably, a prolonged energy crisis makes it impossible to be overly particular regarding the choice of electric power sources, and it is for that reason that the government will never renounce the services of the nuclear power engineers at this time. A clear demonstration of the government's position on this issue was the visit on 27 May of the president and the acting prime minister of Ukraine to the Chernobyl AES, during which Leonid Kravchuk showed unusual interest in the methods of measuring radiation both at the Chernobyl AES and in the surrounding area. It also became clear after this visit that the Chernobyl AES would not be shut down in the near future (no matter how much many representatives of the relevant international organizations might want this). That is the only explanation for the president's promise to the residents of Slavutych near Chernobyl to build a 100-unit apartment building in the city using government funds appropriated for this purpose.

On the other hand, the expansion of the production capacities of Ukraine's nuclear power plants in recent years also means that the load of the AES has increased, thereby increasing the theoretical probability of the occurrence of unexpected incidents at these stations. This is the other side of the coin, and control of this aspect must be the first order of priority. How to do this is up to the experts. As to the numerical analysis of the performance of Ukraine's electricity producers, the results are as follows:

Of the 75.2 MWh of energy produced by nuclear electric power stations, 27.5 MWh were produced by the Zaporizhzhya AES, 11.8 MWh by the Rivne AES, 5.8 MWh by the Khmelnytskyi AES, 12.6 MWh by the Chernobyl AES, and 17.5 by the Southern Ukrainian AES. The most powerful thermal electric power stations TES today are those in Zaporizhzhya, Vuhlehirsk, Kryvyi Rih, and Burshtyn.

The production of electric power began to decline in 1991 synchronously with the downturn in industrial output: the number of megawatts of electric power produced equals the amount of energy consumed by industrial customers. The inability to sell noncompetitive Ukrainian production because of its too high power-output ratio was the reason for the protracted idling of enterprises to conserve electric power. In 1993, according to the Ministry of Energy and Electrification, Ukraine exported 2.7 MWh of electric power as against the period up to 1990, when annual exports amounted to nearly 30 MW.

According to Vasyl Protsenko, deputy chief of the administration of the Ministry of Energy and Electrification, the sharp decrease in the export of electric power from Ukraine was due to the production of electric power for Western countries at a loss while its price dropped: the purchase price of one kilowatt of energy fell from 5.1 to 2.3 cents. The production cost of one kW of Ukrainian electric power amounts to 2.55 cents.

The Ministry of Energy and Electrification predicts a continuing decrease in electric power production in 1994. The state order for the production of energy by combined electric power and heat generating plants TETs amounts to 134 billion kWh, but in reality no more than 113.5 billion kWh will be produced. The production of electric power by hydroelectric power stations [HES] will decrease in 1994 to 9.46 MWh, and by nuclear electric power stations [AES] to 70 MWh. One of the reasons for the predicted decline in the production of electricity, apart from a decrease in industrial consumption, is a shortage of fuel needed to produce electric power.

**Table 1. Production of Electric Power in Ukraine (in billion kWh)**

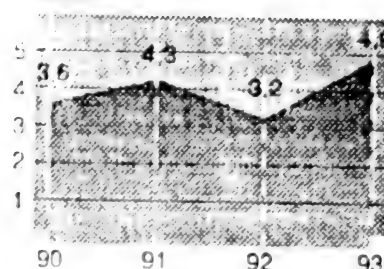
| Year | Total Output | TETS  | HES  | AES  |
|------|--------------|-------|------|------|
| 1990 | 298.5        | 211.6 | 10.7 | 76.2 |
| 1991 | 278.6        | 191.6 | 11.9 | 75.1 |
| 1992 | 252.6        | 170.8 | 8.1  | 73.7 |
| 1993 | 230.2        | 143.8 | 11.2 | 75.2 |

Based on data from the Ministry of Energy and Electrification of Ukraine

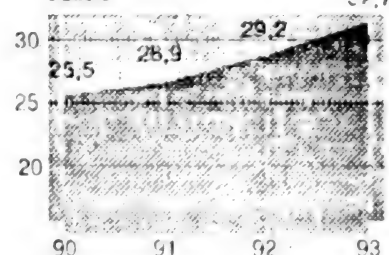
#### DESPITE THE RAPID DEVELOPMENT OF NUCLEAR POWER PLANTS, COAL, MAZUT, AND GAS REMAIN THE STRATEGIC FUELS FOR THE PRODUCERS OF ELECTRIC POWER IN UKRAINE

The total volume of energy resources consumed to run the power generators at electric power stations reached 55.6 million metric tons of equivalent units in 1993, of which coal accounted for 26.2 million metric tons of nominal units (44%), mazut for 6.5 (11%), gas for 23.1 (38.8%), and water power for 3.7 (6.2%). In physical

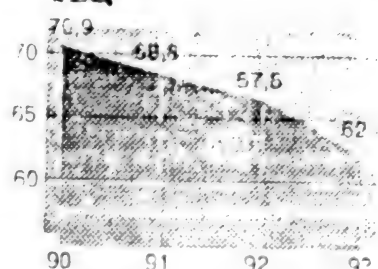
#### TET



#### AEC



#### TEU



terms, the amount of coal consumed was 42.9 million metric tons, mazut—4.8 million metric tons, and gas—20.2 billion cubic meters.

According to Vasyl Protsenko, the deputy chief of the administration of the Ministry of Energy and Electrification, in 1993 Ukraine imported 6 million metric tons of coal, mainly from Russia. Forecasts for this year estimate that only one million metric tons of coal will be imported. As expected, the main reason for this decrease in the volume of coal imports is a shortage of funds. Consequently the predicted shortage of coal in Ukraine for this year will reach 9.3 million metric tons.

The shortage of mazut in 1994 is expected to reach 2.9 million metric tons. Compared with 1990, when the annual demand for mazut was 18 million metric tons, the current level of consumption has dropped to 3.8 million metric tons, because 50% of Ukraine's power station units are not operating.

During the summer, when, as a rule, electric power consumption drops 30%, electric power stations, for the most part, use mazut and gas as fuel, thus creating a reserve of coal for the winter ranging in amounts from 800,000 to one million metric tons.

But the fuel shortage is already creating a potentially dangerous situation in the electric power system (in particular, the reduction of the frequency in the network below 49.5 Hertz) and threatens to result in the total collapse of Ukraine's power system. The Ministry of Energy and Electrification is solving the problem by disconnecting some consumers from the general network. Even now, close to 3,000 enterprises are disconnected every day from the power system.

Last year, nuclear electric power stations used nearly 24 million metric tons of equivalent fuel and produced 32.7 percent of the total electric power generated in Ukraine.

**Table 2. Electric Energy Consumers in Ukraine (in billions of kWh)**

| Group of Consumers              | Energy | % of total volume |
|---------------------------------|--------|-------------------|
| Industry                        | 108.3  | 57.6              |
| including:                      |        |                   |
| —fuel                           | 16.6   | 8.8               |
| —metallurgical                  | 44.0   | 23.4              |
| —chemical and petrochemical     | 12.3   | 23.4              |
| —machinebuilding                | 4.9    | 2.6               |
| —building materials             | 4.9    | 2.6               |
| —food                           | 5.3    | 2.8               |
| —others                         | 8.9    | 4.8               |
| Construction                    | 2.0    | 1.1               |
| Transport                       | 12.1   | 6.4               |
| Agriculture                     | 18.4   | 9.8               |
| Municipal and everyday services | 20.2   | 10.8              |
| General population              | 26.9   | 14.3              |
| including rural                 | 9.4    | 5.0               |

Note: In the column "% of total volume of energy consumed," the percentages are calculated on the basis of energy actually received by consumers and taking into account losses in the system.

**THE FINANCIAL STATE OF THE SECTOR: ELECTRIC ENERGY CONSUMERS COULD NOT CARE LESS THAT THE MINISTRY OF ENERGY AND ELECTRIFICATION IS BANKRUPT** The financial relations between the supplier of electric power and its consumers are the main feature characterizing the financial state of the electric power industry. Today these relations are in a state of crisis, which promises to be of long duration.

According to Ivan Mahda, deputy minister of energy and electrification of Ukraine, his ministry is now totally bankrupt. To some extent, the financial collapse of the Ministry of Energy and Electrification has been brought about by consumers—enterprises that pay back only 50% of what they owe daily. The principal consumers of electric power in Ukraine are listed in Table 2. In 1993, they received 187.9 MWh of power, while the electric

power stations used 16.8 MWh for their own needs and 22.5 MWh were lost due to over heating in the transmission lines.

Consumers are not paying the Ministry of Energy and Electrification what they owe, and, judging by the steady decline of production in Ukraine, they will not do so in the near future. At the same time, Alfred Turos, the chief of the administration of the Ministry of Energy and Electrification, reports that government credits issued at the end of March to the Ministry of Industry and the Ministry of Machinebuilding, Defense Industrial Complex, and Conversion for settling the debts owed by their enterprises for energy supplies were not used for this purpose.

But even if consumers were to pay off their full debt to the supplier, which totalled 9.5 trillion karbovantsi at the beginning of May, the financial crisis at the Ministry of Energy and Electrification would not be completely solved. The reason is simple: the Ministry of Energy and Electrification owes its consumers 9.8 trillion karbovantsi, including 1.525 trillion for coal, 1.469 trillion for mazut, and 1.952 trillion karbovantsi for gas.

**ESTABLISHED CAPACITY OF UKRAINE'S ELECTRIC POWER STATIONS ON 1 JANUARY 1994 (in million kilowatts)**

| Electric power consumption system | Established capacity | Actual |
|-----------------------------------|----------------------|--------|
|                                   | total—52.21          | 33.11  |
| including                         | TETs—34.7            |        |
|                                   | HES—4.7              |        |
|                                   | AES—12.82            |        |
| Power Production Associations:    |                      |        |
| Vinnitsyaenerho                   | total—3.57           | 2.25   |
| including                         | TETs—1.84            |        |
|                                   | HES—0.73             |        |
|                                   | AES—1.00             |        |
| Dniproenerho                      | total—16.81          | 7.64   |
| including:                        | TETs—8.93            |        |
|                                   | HES—2.88             |        |
|                                   | AES—5.00             |        |
| Donbasenerho                      | total—12.96          | 7.66   |
| including:                        | TETs—12.96           |        |
| Kyivenerho                        | total—6.76           | 4.62   |
| including:                        | TETs—3.72            |        |
|                                   | HES—1.05             |        |
|                                   | AES—2.00             |        |
| Krymenerho                        | total—0.375          | 1.3    |
| including:                        | TETs—0.375           |        |
| Lvivenerho                        | total—5.11           | 3.13   |

**ESTABLISHED CAPACITY OF UKRAINE'S ELECTRIC POWER STATIONS ON 1 JANUARY 1994 (in million kilowatts) (Continued)**

| Electric power consumption system | Established capacity | Actual |
|-----------------------------------|----------------------|--------|
| including                         | TETs—3.26            |        |
|                                   | HES—0.032            |        |
|                                   | AES—1.82             |        |
| Odesaenerho                       | total—3.36           | 2.8    |
| including:                        | TETs—0.35            |        |
|                                   | HES—0.0035           |        |
|                                   | AES—3.00             |        |
| Kharkivenerho                     | total—3.27           | 3.7    |
| including:                        | TETs—3.27            |        |
|                                   | HES—0.0048           |        |

P.S.: There are only 104 power units in operation at the thermal electric power stations of the Ministry of Energy and Electrification. Of these, eight have a capacity from 720 to 800 MW, 42—from 282 to 300 MW, five—250 MW, 43—from 175 to 210 MW, and six turbines with 150 MW each.

At present, half the power generators at the eight power associations named above are forced to stand idle.

**THE SECTOR'S PRODUCTION POTENTIAL IN MAY 1994**

The base power load required by Ukraine's industrial consumers is carried by nuclear and thermal electric power stations. Hydroelectric power stations are put in service during peak hours of the day in order to prevent the frequency in the system from falling below 49.5 Hertz.

Today, the power industry run by the Ministry of Energy and Electrification is comprised of 294 enterprises, including 42 electric power stations and 88 enterprises in the electric and thermal power systems.

Consumers are supplied with electric power by 615 regional electric systems, including 493 rural regional systems.

The total length of overhead and cable electric transmission lines [LEP] measures 1,014,000 kilometers, of which 951,604 km are overhead and 62,736 km are cable lines. The total length of high-voltage transmission lines (800 kW) measures 247 km. The total length of overhead electric transmission lines (750 kW) measures 4,081 km.

There are 2,047,000 transformer substations with a total capacity of 197,062 MVA.



## MOLDOVA

### Dniester Leadership, Crisis Investigated

944K15034 Moscow MOSKOVSKIY KOMSOMOLETS  
in Russian 25 May 94 p 4

[Article: "The Dniester Area: A Front Without a Front Line. There Is a Clear Sky Over Moscow—for the Time Being...."]

[Text] The Dniester area is a corner of paradise. Thirty-degree heat, freshened by the wind from the Dniester. Early cherries and strawberries, masses of cucumbers, tomatoes and all sorts of vegetables, at prices that are absurd by Russian standards. The beautiful girls in short skirts attract the gaze of the men around them like a magnet.

#### Peace

The war seems to be a thing of the past. Only the gravestones in the cemeteries in Bendery and Dubossary and the modest graves right on the streets remind us of what happened here in 1992. Then, at the time of the "summer military campaign," as officials say, they laid to rest for eternity over 600 young men, and 4,000 Dniester area inhabitants were maimed and wounded.

Since the war, begun exactly a day after the decision of the Moldavian [Moldovan] Parliament on peaceful settlement of the territorial conflict with the Dniester area, the PMR [Dniester Moldavian Republic] residents have no very warm feelings toward the Mircea Snegur country. The independence in hand, won with Kalashnikov, is sacred. An independence so far unrecognized by the world community.

The possibility of the renewal of military conflict, despite the negotiations which have been going on with Moldavia [Moldova], with Russia as mediator, for almost two years now, is not ruled out. Moldavia is suddenly strengthening its Armed Forces. The PMR is hurriedly forming its power structures.

The number of armed military men, special forces and state security workers in Tiraspol is not a happy sight for a peaceful person. According to our rough estimates—we simply could get no official information on this score—the Dniester power structures number close to 8,000-10,000 people, for a total PMR population of 700,000. If one adds to this the 14th Russian Army, stationed in Tiraspol, which by our calculations constitutes anywhere from 12,000-13,000 persons, the armed readiness of the region can easily take first place over other similar spots.

The point, however, is not so much in the actual number of people in camouflage. During the war, 15,000 barrels—from pistols to grenade launchers—were seized from the 14th Russian Army. Commander Aleksandr Lebed, on one side, and the Dniester state authorities, on the other, signed an "Act of Seizure." The fate of most of the weapons is unknown.

Meanwhile, the "material" existence of the ordinary, so to speak, peaceful inhabitants of the Dniester Republic does not evoke pleasant emotions: most of them receive below the subsistence level. The average wage is somewhere around 120,000 "dniestrofiki," in the official version bearing the name "suvoriki" (stamps with a picture of Aleksandr Suvorov are glued on the old Soviet money). One of our Russian rubles equals 6-6.5 Dniester ones.

Poverty particularly graces the pensioners, who have a pension with a maximum of 80,000 "suvoriki," with the average subsistence minimum being 150,000. People with the physical and mental potentials, and moreover—links with the criminal world (which, incidentally, long ago divided the Dniester land into spheres of influence) engage either in so-called commerce, or in general in things that have little to do with the law. Homicides, theft, rackets, kidnapping people with a view to ransoming them to the PMR—are the order of the day.

In this situation too, over a period of actually one-and-a-half years in the Dniester area, a conflict has been flaring up, so far, thank God, on a verbal level, between the leaders of the 14th Army and the headquarters of the Tiraspol Garrison on the one hand, and the local state authorities on the other. This is a conflict which at present has a good chance of turning into armed confrontation.

#### Ministers with Double Last Names

The internal enemies of the local authorities are Lt Gen Aleksandr Lebed, 14th Army commander, and Col Mikhail Bergman, Tiraspol commander. The leaders of the state authorities in opposition are Vadim Shevtsov, chairman of the State Security Committee, and President Igor Smirnov. In that precise order. Other representatives of the "opposing sides" naturally take part in the verbal "Mord-bashing."

The interrelations between them are so emotional that they are far from parliamentary formulations. There are thousands of people who are for both of them, though. The Dniester citizens. Since almost the entire staff of the 14th Army and the Tiraspol Military Headquarters are local residents.

Despite the two years that have passed since the war, Tiraspol resembles a typically post-front city, with signs that anarchy holds sway, an anarchy based on physical-firing power. With a mass information media very clearly marked official, whose methods openly resemble the "bright" repressive-stagnant years. It is no trouble to pick up the lies, whatever the topic. Lt Gen Lebed and Col Bergman can get a whole program out of them. The former—in the most modest expressions, on the strength, apparently, of his special status, and the latter—a whole string of them. The Armenian newspaper SYN OTECHSTVA and the television program "AsKET," reciprocate their feelings. The court regularly hears suits brought by local leaders against Mikhail Bergman—in defense of honor and worthiness or for

slander. For some reason, though, not once has the colonel, who is not loved by the authorities, been punished. In the opinion of the Dniester authorities, Bergman is the man who provides the sound for Lebed. The main arguments for public accusation of the colonel: he has "outlived" two army commanders, has a summer home and rose too quickly to the rank of colonel. De facto—that is all.

Meanwhile, the accusations coming from the mouths of the leaders of the Russian units are much more interesting. Moreover, this is not a game of cat and mouse. It is large-scale. Out in the open. "Do you know, where you have landed?" Bergman says to us. "The mafia rules in the Dniester area. There are a few people in the government who have been convicted. Aleksandr Saydakov, minister of Local Industry, has two counts, including one for motor vehicle theft. Vladimir Yemelyanov, chairman of the United Strike Committee, was convicted of illicit trading in state plates. The chairman of the State Security Committee, now Maj Gen Vadim Shevtsov (real last name Antyufeyev), is sought by Baltic authorities for "gay" affairs when he was working in agencies in Riga. There are many persons in the government who do not go by their real last names—in addition to Shevtsov, that same Matveyev, the former Goncharenko, who served with Antyufeyev in Riga. There are former KGB and GRU workers—a lot of them. Gudymo, the present minister of State Security, is on pension from organs of the KGB. President Smirnov is a puppet, a habitual drunkard. Moreover, a weak-willed one. Shevtsov has all the authority, and he tramples the people under him: he makes compromises with many people. For example, Smirnov's son, a State Security captain, drives around in a car worth \$48,000. The godfather of the local mafia also gets around the same way. Everyone knows about this, you realize, ours is a small town...."

The facts about Bergman have really turned out to be common knowledge. Vadim Shevtsov, in a private interview with us, stated that he had not just one, but five last names: "I was an operations worker." The change in last name "is fully natural, after all, I am in hiding." As for the mafia in the government: "Bergman is a sick man." The convictions of the ministers—well, there were some. "But after all, you can't begin life from scratch." Are there any former members of the special organs from Moscow among the republic's leaders? "You understand, after all, people want to protect the Dniester area."

The more information we learned about the "state leaders" of the Dniester area, the "warmer" our feelings grew. Valeriy Litskay, the present minister of Foreign Relations, even in 1983, gave a signed statement to the Moldavian organs of the KGB on cooperation, having become an agent using the nickname Oleg. The minister of Foreign Affairs, as he calls himself, took this historic action on the basis of the fact that he "as a patriot of our Motherland, expresses his desire to cooperate with the

organs of state security in the matter of ensuring the interests of the Soviet Union" (quotation from a statement to the KGB).

The personal file of another local leader—Bolshakov, known in the organs of the KGB by the nickname of Agent Berzin, personally sent by Mikhail Bergman to the Dniester ministry of State Security, was suddenly lost in the course of a week, a fact which V. Luchik, procurator general of the PMR, sorrowfully announced.

### Modest Crime?

Right at the time of the war, the PMR president issued some very curious documents. On the seventh day of the war, 25 June 1992, a presidential edict was issued "On Setting Up Republic Administration of Foreign Economic Activity." Implementation of the foreign economic activity of the Dniester region was handed over to... a limited liability company, "Tri Plyus Ko Ltd." of the Ukrainian Republic. On the basis of which a Tiraspol branch of republic administration for the above-named problems was to be set up. Where did this currency favor to a Ukrainian firm come from?

Another document, of the postwar days, is no less attractive: the "Act of Counter-Checking the Dispatch of Railcars from the Rybnitsa Station by the Kvant Cooperative on 12 December 1992." Some 307 cars of metal, steel and wire rods, addressed to Kvant, arrived from the Cherepovets Metallurgical Plant. According to the waybills. The goods were remolded by the cooperative into a very cheap finished product called "arch modules" and were immediately dispatched to the CIS countries and Bulgaria. A very simple scheme for illegal sale of valuable metal.

Meanwhile, the power structures of the Dniester area are being hit with very significant mix-ups. Of 46 criminal investigators, 32 experienced officers "left." A whole company of regular officers left the Dniester Special Service Battalion. The other day, there was a rebellion in the Dniester, as they say in Tiraspol. The reason was quite unique: a few days back, the special service men had seized a group of one of the representatives of the local mafia, Stas, who was literally released there and then. For reasons incomprehensible to the surrounding masses. The rebels were quickly sorted out, and the battalion commander was immediately replaced.

The departure of the local workers of the power structures for Bergman's headquarters is easily explained by the "perpetrators of the celebration," themselves: revealing the crime of homicide is actually tantamount to revealing the crime of stealing chickens. Vadim Shevtsov smiles: "It is a pity I don't have the documents on some of the workers right now. You should take a look. The reason for the departure: at headquarters they pay, after all, in Russian rubles, almost twice as much as we do..."

The report of the Tiraspol GUVd, which we obtained from President Igor Smirnov, is astounding: a modest

amount of crime and a 50-70 percent disclosure rate. In the words of Mikhail Bergman and the officers retiring from criminal investigation, the secret is simple. In the first place, the militia workers were given a verbal order to cease serious investigative activity. In the second place, there is a secret agreement with the criminal groups on carrying out their "actions" and moreover "stripping down" outside the limits of the Dniester capital. In the third place, which is, perhaps, the most terrible thing—many of the corpses fished out of the Dniester, despite the degree of their decomposition, are written off to the war, and the contemporary homicides, that the whole city knows about, are for some reason not entered in the official reports of the GUV. Two days before we arrived, a businessman was killed by a bullet in the head. An old man who was a witness is to this day in a resuscitation ward. A short time earlier, another businessman was killed in his motor vehicle and "at the same time," again, a small child ended up in a resuscitation ward.

Like a living legend, the story goes around Tiraspol of how two subdivisions of the power structure—special service and GB [state security]—shot at each other. According to the Tiraspol version, two policemen from Ukraine were tracking their "own" criminal, who had decided to visit the charming land of the Dniester. The special groups decided to take them all at the same time. The result—three "guests" and a few of their own men were killed.

"You understand, we are just setting up our organs of law and order," Vadim Shevtsov told us.

#### Power Is a Simple Matter

We were able to sense Vadim Shevtsov's power from personal experience. Three days before we arrived, Viktor Petrenko, director of the Tiraspol Motor Vehicle Service, was suddenly arrested. His last name figured in a story with a "Lincoln," which had been standing idle on enterprise territory for several months, and according to certain data, had been bought as a present for President Smirnov who, for understandable reasons, refused the latter. Petrenko, who was on friendly terms with Smirnov, like one of the family, as they say, had access to the government house, and in addition—had MVD and GB certificates and several models of weapons. He was taken on the way from the local "White House" to the presidential car—and what was curious, escorted by Smirnov himself. Vadim Shevtsov, who personally took part in this incident, described Petrenko's behavior as a "violation of the conditions of a special position," and of his own will placed him under administrative arrest for a while... for 30 days. Just like the good old days—without a trial or investigation. Igor Smirnov kept modestly silent.

Appearing on television on the subject of Petrenko's strange arrest, on the third day of Petrenko's sojourn with vagrants in a jail cell, Mikhail Bergman then and there "received" a whole program from Dniester Radio.

The radio reported that Bergman had "resorted to such dirty tricks" that he had even thought up a kind of arrest for Petrenko. In confirmation of its conclusion, it cited the words of the motor vehicle service director's wife, who had informed it that her husband, she said, had gone off to Odessa and would be there for dinner. At this point, Petrenko had not been there for dinner three times.

We received the answer to our question about Petrenko's strange fate next morning: by decision of the Dniester Public Prosecutor, he was released from the jail cell with the admission that Vadim Shevtsov, director of the State Security Committee, had violated his authority, since in Petrenko's actions "there were no elements comprising a crime."

Vadim Shevtsov himself explained the occurrence with the very simple sentence: "This is our private matter."

The "private matter" resulted in the fact that during this time, Victor Petrenko and his family, after thanking us for the unexpected help, left the borders of his native land, in the hope of finding a safe little town in a different region.

Aleksandr Lebed, laughing, evaluated what had happened: "It is obvious. Shevtsov is simply showing his strength, to keep Petrenko from saying anything unpleasant. Remember: Molotov's wife stayed home, and Kalinin's wife too, so that their husbands could walk on a short leash. Here, it is I, Shevtsov, who is the master."

In a private conversation with Petrenko, we received a similar response:

"Who is the boss in the city and the republic? Shevtsov?"

"Shevtsov."

"Can Smirnov count on his own guard in an emergency situation?"

"No."

The presidential guard, which confirmed our suppositions, is really subordinate to Vadim Shevtsov. Officially, he himself can see nothing so terrible in joining all the state security forces in the same hands.

Russia, it seems, has already gone through this. In August 1991.

#### The "Special Feature" of Weapons—Killing

No one can name the whereabouts of the thousands of gun barrels that disappeared during the war. There are only local disputes about one-and-a-half thousand barrels, removed from the people "in the trenches," by military headquarters after the war. Local authorities accuse Bergman of specially destroying the registration log of the confiscated weapons, and "putting it to his own uses." Meanwhile, as Aleksandr Lebed confirmed

for us, the situation was somewhat different: "The confiscated weapons were turned over to the local commanders. After that a special commission came to us for verification, and it even included Col Yakovlev (I am his enemy No 1, he even passed over Bergman). So they counted and recounted everything down to the last piece. The commission signed the written statement. Only then did I call out Col Bergman and say: put the statement at the bottom of the safe, but destroy the registration log as not assigned by the regulations. We created a special commission for this and destroyed it."

So just where are these thousands of firing pieces now? When will they surface? And whom will they kill and maim?

On the other hand, several hundred barrels with thousands of cartridges have already surfaced: according to the assertion of qualified Moscow authorities, they were already transported for the opposition to Moscow from the Dniester area during the October events of last year. As for the several dozens of participants from this sunny republic, in the words of Vadim Shevtsov, he bears no responsibility for them. Even though in "identikit" pictures, sent from Moscow to Tiraspol, people assigned to the same Dniester Special Service Battalion have now been recognized. Their last names, positions and nicknames are well-known.

In an interview for MK correspondents, Aleksandr Lebed informed us of one "attractive" fact. Military headquarters has documents according to which the Dniester Battalion sent the following weapons to Gagauzia (Budzhak Battalion): AKS-74—300 pieces, AKS-74u—50 pieces, 180 Makarov pistols, RPKS-74, Dergunov sniper rifles—7 pieces, AGS-17 automatic grenade launcher—one, 100,000 ammunition units and 96 grenades. "Nothing reached Gagauzia, as its spokesmen confirmed."

Vadim Shevtsov had contrasting information on this score. Lebed sent the above-named weapons to Gagauzia. And they arrived there.

We did not see either side's documents.

Trustworthy confidential sources in Tiraspol made it known to us that in September of last year, three Russian opposition leaders were made a gift of three attractive Dergunov sniper rifles, which make a very accurate hole in the forehead of the desired victim at a distance of 1,200 meters. Their numbers: No 65347, No 84282 and No 66480. Vadim Shevtsov answered this question: "I did not give any rifles to anyone."

The question was open for competent authorities in Moscow.

As for the Russian opposition, most of it shows open sympathy with the present Dniester authorities. Zyuganov, Makashov, Anpilov, Alksnis, Baburin, Umalatova, Pavlov and others visit Tiraspol on holidays and non-working days. Shevtsov thinks that, if the patriots are

drawn to the Dniester area, why not mix with them? After all, other "leaders" express no particular desire to visit Suvorov's corner....

For the "internal security" of the citizens of the Dniester region, particularly in 1992-1993, those wishing them were handed out weapons by the president's hand. This can be explained by the need for independent defense against criminal groups, since the organs of internal affairs have little power. Let us note that this situation developed against the background of the highly publicized shortage of weapons among the organs of law and order.

In all, according to the available registration book, 900 barrels were issued to those wishing them. The Tiraspol Cotton Production Association asked for seven TT pistols and got them. Weapons are officially registered to the management of the metallurgical plant, the small Olimp enterprise, the editors of that same Dniester Radio, the directors of a metals structures plant, and others. And naturally, to all the officials of the republic—"by virtue of the danger of their job."

In general—it is all nothing. Some formulas resemble anecdotes. For example, Galina Andreyeva, a political leader, is permitted to carry a weapon only "if she has a weapon available." They permitted the deputy of one of the firms "to be issued one—." Pistol, rifle, and perhaps, machine gun? The head physician of the Tiraspol Maternity Home got the "go-ahead" for official registration of a personal pistol, but "supplying the weapon is his problem"—as the resolution says. Some Dniester citizens are issued weapons from ... material evidence, from specific crimes.

There is a special approach for ten executives in the Dniester Government who hold the rank of ministers and deputies. They were issued... Simonov semi-automatic carbines, which in the stagnant times could be found only in the use of servicemen of the former Soviet Army. A. Karaman, vice-president of the Dniester area was distinguished more than anyone, in the sense of armament. He has the use of six types of weapons: two types of Kalashnikov automatic, TT, Makarov and Stechkin pistols (actually submachine guns), and a Simonov semi-automatic carbine.

Some of the people presented with weapons are now taking up permanent residence outside the boundaries of their beloved Motherland—more precisely, in the far abroad. And just where the weapon itself is—remains only a guess, because the registration book has no notes on its being turned over.

All these things, however, in the words of Mikhail Bergman, are just the beginning. The worst is yet to come: "The Dniester Army is now preparing for the next putsch in Moscow," says the colonel. "Weapons are hidden throughout the villages, up to 800 barrels each in the same place. They are preparing to ferry them to the Russian capital, where some of the barrels are already concentrated. Forty-six people using assumed names



have now come to Tiraspol from Moscow. They are getting ready. A huge slaughter is slated for the autumn in Moscow...."

Vadim Shevtsov expresses no particular desire to refute Bergman and Lebed: "There are other people in the 14th." "There is no doubt that specific forces are standing behind Lebed, and it is generally known that he is a friend of Grachev and makes use of the army commander of the moment," the director of the republic's State Security explains to us. "After all, Lebed and I were friends. On 4 January 1993, however, Lebed suggested to me and to Matveyev, the former minister of Internal Affairs, that we take part in the overthrow of the PMR government. We refused. And then it started. (...) He, Lebed, by no means sees himself as Russian minister of Defense—he sees himself as the second person who will bring order in Russia."

(In parentheses we note: to the frank question we put to Lebed concerning the fact that many people are waiting for him in Moscow, the lieutenant-general answered: "I do not want to go to Moscow.")

Igor Smirnov, president of the Dniester area, develops his colleague's idea: "The present situation is quite convenient for Bergman and people like him. If we, the PMR, can find a common language with Moldova, the Dniester area as a "hot spot" will disappear. (...) Russia needs all of Moldova because of geopolitical and strategic interests. We do not object, we are not leaving Moldova. (...) As Goebbels said, the more impudent the lie, the more plausible it is. They accuse us of the fact that the Dniester Battalion was at the White House...."

Both of them were of one accord: we don't want to collect documents on the 14th Army, we want it to be here, we don't need any aggravation.

So they just did not give us any documents against the 14th Army and the Tiraspol Military Headquarters.

#### What Can We Expect?

The atmosphere in Tiraspol is unpleasant. Everyone knows about the tailing, telephone bugging and mutual "reconnaissance" of the opposing sides. It sometimes reaches the point of absurdity: people know the quarters from which the outside surveillance comes. The "adversaries" know each other by sight. The republic seems to be split in half.

Representatives of the Russian Army and the political opposition speak openly about replacing the "mafiosa" Dniester Government. With a more respectable one? Or—with a more loyal one? Replacement—in what form?

Russia's interests, as always, are veiled. It is possible, as quite often happens these days—they are simply unpredictable. The Dniester area—beyond any doubt—is a "card" in the political game with Moldavia, which has so far not come into the CIS. The "card," however, may be played both in a peaceful way and in a military way. This can happen in the near future.

At the same time, the Dniester Government is not a sweet treat. Its relations with the Moscow opposition are obvious. The priority of force is unconcealed. The number of unregistered weapons is unpredictably high.

In both the Dniester area and Moscow there is peace for the time being. God grant that no one disturbs it.

**P.S.** Having returned to the capital of our Motherland, the MK correspondents noticed an outside tail following them. We do not know to which structure these people belong. On 21 May, the apartment of one of us was "frisked." The "guests" took no money or valuables. What they were looking for—is still a mystery.

## KAZAKHSTAN

**Nazarbayev Summarizes Reform Priorities**

944K1548A Almaty KAZAKHSTANSKAYA PRAVDA  
in Russian 21 Jun 94 p 1

[Article by Ivan Zakharchenko, KAZTAG correspondent: "A Way Out of the Crisis Is To Firmly Proceed Toward the Market and To Have National Accord"]

[Text] Toward the end of last week, President Nursultan Nazarbayev paid a visit to East Kazakhstan and Semipalatinsk Oblasts

At an aktiv meeting in Ust-Kamenogorsk, the president introduced Yuriy Lavrinenko, the new head of the oblast administration

Subsequently the president arrived in Semipalatinsk where he also introduced to the aktiv the newly appointed head of the oblast administration, Galymzhan Zhakiyanov

Speaking at these meetings, Nursultan Nazarbayev discussed the current economic situation in the republic. As is known, it is complex and, as the head of state stressed, in order to overcome the situation sooner we should tighten procedures for the allocation of credit to enterprises and proceed solely from the real financial potential in resolving all issues

Incidentally, the ways to overcome the crisis were outlined to the fullest in the president's presentation at a session of the Supreme Council and his message to members of parliament. All residents of Kazakhstan should know the essence of these ways, as well as the position of the republic leadership with regard to solving domestic problems in order to avoid idle talk of which there is frequently no dearth precisely because the citizens are poorly informed.

Nursultan Nazarbayev gave the following example. Disabled front-line veterans received preferences under 19 provisions. Their combined monetary equivalent came to 300 tenge. In view of this, the decision was made to replace numerous preferences that by then were hard to figure out with the raising of retirement benefits of this particular category of the population by 330 tenge in order to provide it with targeted social protection. After all, not only veterans but also members of their families took advantage of the preferences. Was this fair?

Revisiting economic problems, the president noted that unprofitable enterprises are a heavy burden for the economy to shoulder. All of them will soon be declared bankrupt. It is more advantageous for the state to pay unemployment benefits upon the closure of such production facilities than to subsidize them. Getting rid of the continuously unprofitable enterprises will make it possible to stop the growth of inflation and invigorate foreign investment in the economy of the republic.

The head of state recalled that on 1 May the residents of Ust-Kamenogorsk held a rally at which demands to return to life as it used to be were aired. However, there is no return to such life, and this is an objective fact. We must proceed more rapidly toward market relations, stressed Nursultan Nazarbayev, and grant to the people the freedom to labor for their own benefit wherever and however they see fit. However, the state will not reduce its care for retirees, handicapped, and the employees of budget-financed institutions. Others should make a living themselves. Nobody will sustain parasitism and laziness. This is the main law of a market economy. We are now traveling along the path that the entire civilized world has covered, and we will only be able to achieve prosperity and welfare if we do not turn off this path.

The president paid special attention to ensuring stability in our society in the absence of which favorable changes are impossible. To maintain stability, it is necessary to ensure the equality of all citizens and a balanced cadre policy proceeding from the peculiarities of regions. It is important not to give in to provocations that are capable of causing internal strife and to strictly proceed from the law on pressing criminal charges against individuals fueling interethnic discord.

Nursultan Nazarbayev also noted that there are those who indiscriminately pick on the activities of Kazakhstan's leadership. However, this is populism pure and simple. Let them propose alternative ways to overcome the existing situation. It is as easy as can be to exploit existing difficulties.

The president answered frankly numerous questions from participants in the oblast aktiv meetings, including the most sharply worded questions.

**Minister Kadyrova Explains Resignation**

944K1524A Almaty KAZAKHSTANSKAYA PRAVDA  
in Russian 18 Jun 94 pp 1-2

[Interview with Minister of Social Protection of the Population Zaura Kadyrova, by KAZAKHSTANSKAYA PRAVDA correspondent Tamara Fomina; place and date not given: "We Can Sacrifice a Lot for the Sake of Economic Reform. But Not Our Elderly. The Minister Has Resigned. The Problems Will Not"]

[Text] As our newspaper reported yesterday, Minister of Social Protection of the Population Zaura Kadyrova has submitted her letter of resignation (as the reader can see, it has been accepted), explaining this action by the fact that decisions affecting pensioners are being made without her ministry's participation.

Someone snapped at Zaura Zhusupovna: Suffering from the Russian syndrome? Meaning the resignation of L. Pamfilova, the Russian minister of social protection of the population. How quick we are, however, to judge and gossip. What is it that compelled a person who had headed this difficult segment of work to make this

decision? KAZAKHSTANSKAYA PRAVIDA asked Z. Kadyrova to tell us in more detail about the motives for her decision.

[Kadyrova] You know, this mental stereotype had been building for years—that the Minsobes [Ministry of Social Security] is a second-class agency. It had always taken a back seat, quietly and unquestioningly carried out directives, and listened to reprimands.

Today, however, we cannot live outside our turbulent time, which also forces us to be more active, to look for ways to survive, to bring issues into sharper focus, be more demanding.

Life is becoming increasingly difficult; prices keep rising. The 3 million pensioners, of course, need state support. I cannot say that the state does nothing, but in my opinion this is being done in a way that is not adequate for the current situation. Of course, the state must get on its feet, solve its problems. But I cannot imagine any state doing it at the expense of the least protected category of the population.

Many would prefer the old Minsobes. That is probably why the current one causes inconvenience. We submit proposals. Then behind our back, unilaterally, completely different decisions are made, which, in my view, worsens the situation.

Take, for instance, pension delivery. Seventy-five percent of pensions are delivered by mail. But in large cities, where there is a large concentration of pensioners, we have set up on an experimental basis our own delivery. Life has shown that this is precisely the form that can reach a pensioner quickly. This is all in the same system; one can make a request, track it on the spot. No, we are told, the Minsvyaz [Ministry of Communications] will be delivering pensions.

We ask why we should spend pensioners' money to support the postal service. We have to pay the postal service on average 2 percent of the total amount of pension money.

The government changed its position on this issue several times behind our agency's back. The Antitrust Committee spoke against the decision to leave the delivery with the postal service. We must give a person the right to choose. The prime minister received me and the minister of communications, invited jurists. The jurists supported our position. I assured the collegium that the prime minister was on our side. But a different decision was made. The Constitutional Court had to interfere.

[Fomina] This is in the past, but tell me, did your ministry have anything to do with the certain presidential edict on stripping the disabled and war veterans of special preferences?

[Kadyrova] I was categorically against it when this question was being considered in the government. I said that by such actions we would put the president on the

spot. And that is exactly what it turned out later. As the 50-year anniversary of Victory Day was approaching, all the CIS countries were looking for a way to somehow make the veterans' lives easier. How many of them are there left now? Today there are 150,000. When I was making report to the previous parliament, there were 206,000....

Besides, the law and the social program on social protection of the disabled were for all practical purposes deactivated.

We bring our ideas and proposals for the consideration of the government. And then, when they come out in the final version, we do not recognize them. There is practically nothing left of them.

Or take the poverty line—40 tenge or 100 tenge. On what norms is this figure based? The poverty line can be determined only on the basis of the minimum food basket. And then you tell people honestly: "The consumer basket today costs this much, but the government is able to put up only 60 or 50 percent of it." Then people would know that the government thinks of them, that they count, that they are being asked to wait, to be patient, to make it through a difficult time.

Sometimes people say about me that a non-economist does not understand a lot of things. Yes, I am not an economist; I am a teacher, and I am the head of the Ministry of Social Protection. But then you, the economists, explain to me how a person can live on this 100 tenge a month. Do you think a pensioner does not understand it when he allocates his little pension per day. This much for bread, this much for increased municipal services, this much for medicines.

You tell me. If you convince me, I will be on your side. But there is no answer.

[Fomina] We in the newspaper get a lot of letters asking about the pension fund. What is this fund? Whom does it serve?

[Kadyrova] This is a difficult question. I absolutely do not agree with the situation where the pension fund is put on an equal status with all other funds. They just "stuck" it into the budget. What is the budget? What is the Minfin [Ministry of Finance]? They have thousands of problems! This one wants money, or that one. There are things that can wait a month, two, three. Pensions, on the other hand, have to be paid every day—from the first to the first of every month. While there is not enough money. In May and June, for instance, we needed 2.1 billion tenge, but only 398 million were made available. The situation is very difficult.

I ask the National Bank: Would you please tell me what is currently the amount in the pension bank accounts by oblast? And get an official letter—we do not have the right to disclose this information to you. To the Minfin—gladly! How do you think a minister feels when he cannot even get this information? How can he work?

I saw the pension fund in its different incarnations—when it was completely independent and autonomous. But now it has become essentially the second Ministry of Finance. When they started hiding from us what money is in the pension fund's accounts. When it gave R2.2 billion to commercial structures at a low interest rate.

I hope that the parliament will again remove the pension fund from the budget. It should not engage in commerce in a direct sense of this word. The banks should pay us interest on pensioners' money kept in the banks. Currently, not a single percentage point of interest is paid.

When the national currency was introduced, we proposed to index at least pensioners' deposits at a special conversion rate, so that their value would not drop sharply. But this was not done.

How many times did the Minfin end up with the egg on its face, "pushing" some decision behind our back. It slips all the time. And will many times again, I think. Together with the government's department of labor finances and social protection. It is called "department of social protection," but all it is concerned with is how to cut it, to save money on pensioners.

[Fomina] People sense this. You have to have really strong nerves to read numerous letters from our pensioners to the editors. They write not only that they have not had enough to eat for a long time—they are also not sure that they will be buried decently, properly.

[Kadyrova] I also read such letters. And draw conclusions. Last year I raised the question and apparently got the go-ahead to tell of our problems at the Council of the Republic. I wanted to have these problems considered comprehensively, with the participation of administration heads. Especially considering that we have done our own research and development work: the concept and the draft of a national program of social protection. They promised, but did not do it.

Then I went again to the leadership and asked once again to come back to this issue. Let us put our heads together and think—after all, to care for our veterans and pensioners is not just the job of our ministry. Those who are pensioners today had worked in all sectors of the national economy; they created everything that today is being privatized and distributed. This all has been created so far by the labor of the older generation. Therefore, I wrote a memorandum to the government: Give us even 10 percent of privatization revenue, so that we could direct it into enterprises employing the disabled—the blind and deaf-mute, to support them somewhat. The state budget does not have any money—then let us take it from here, from this additional source. Not a word.

I am tired. When the leadership talks about social protection while doing so little for it, one loses confidence that anything will change.

When I begin to talk, I hear remarks—the minister is a populist and oppositioner, they say. She goes against the

government line. I do not understand why government members must unanimously nod their heads; why a member of the government is being deprived of the right to openly express his point of view in the Cabinet of Ministers, which is what I have always done.

I would rather not dramatize the situation. A minister's resignation in our time is a normal thing. I have no personal gripes. On the contrary, I am grateful to fate that it gave me, a person who grew up without parents, the opportunity to go through all stages of growth. My conscience is clear both with respect to our veterans and my colleagues.

#### FROM THE EDITORS

One can feel differently about the motives of the "tired" Minister Zaura Kadyrova, about the decisions of councils in a number of northern oblasts who basically on their own—or just about against the law—reshuffle oblast budgets for the sake of their pensioners; to the fact of injudicious, to put it mildly, utilization of the pension fund; and other reports on the same subject. One thing is clear: We need somehow to pull our elderly out of the quagmire of despair and want. The guidance in this should be provided by the president's directives and thoughts presented in his recent message to the republic Supreme Council.

Let us remind them: "The priority goal of the social policy now and in the intermediate term is not to allow further decline of the standard of living of low-income population strata and persons living on fixed income." In development of this premise, the message provides a detailed elaboration directly related to pensioners: "On the basis of a comprehensive analysis of the current social security system, the government should streamline pension benefits and implement a system of compulsory and voluntary pension insurance. We need to move towards creating a three-level system of pension security. At the first level—minimum pensions guaranteed by the state; at the second—pensions provided through compulsory pension insurance; and the third—pensions provided by nonstate pension funds."

What is amazing is the long patience of our all-understanding elderly. What they do need more of is honest information, timeliness in the administration of pension funds, and repentant authoritative explanations of the existing situation. There is nothing worse than to lose faith and hope.

The government's task is to search for an optimum way to resolve this problem in the environment of the crisis state of the economy, which results in cutting overall financing for the social sphere.

Which means, it is up to the government. But is it only the government? Of course not—it is also up to all societal strata, all of us. The elderly are our parents, relatives, neighbors, acquaintances....



### Nazarbayev Personnel Changes Analyzed

944K1547A *Almaty ABV in Russian* 20 Jun 94 pp 1, 3

[Article by Viktor Verk: "...Even Local Governors Into the Cabinet?"]

[Text] ABV has been unable to obtain any official explanation of why the officially announced visit was postponed. In the press department of the president of Kazakhstan, they have said that the summit meeting will from all indications take place in early July. Some observers conjecture on this basis that the sides are attempting to use the intervening time to remove a number of problems related to the package of Russian-Kazakhstani "military" agreements, in particular Moscow's leasing of Baykonur and the Saryshagan exercise grounds in Zhezkazgan Oblast. Negotiations concerning the fate of the latter facility were recently conducted in the "capital" of the exercise grounds—the city of Priozersk—by Deputy Prime Minister Abilshitov and Russian Air Defense Commander Prudnikov. It is also likely that President Nazarbayev's recent speech in our parliament and his promises to review the Law on Languages concerning the status of the Russian language, and most important—more vigorous "gestures" concerning the Eurasian idea in Kazakhstan and beyond—are compelling Moscow to make adjustments on the fly in its position on the question of dual citizenship.

At the same time, very interesting events have been occurring in the country's domestic political life. The first "salvo" of personnel rearrangements and reorganizations of government structures has been followed by a second. Creation of Minneftegazprom [Ministry of the Petroleum and Gas Industry] can rightly be considered the most powerful of those "shots." In the opinion of certain well-informed people, this step, suggested long ago by the logic of the oil intrigue's development, signifies an attempt by the central authorities to tighten control over this priority extractive industry. This was practically unattainable in the structure of the previous Minenergoprom [Ministry of Energy Industry], since the newly founded oil corporations, concerns and joint ventures [JV], which at the moment are working mainly for the future, were constantly "tripping over" the coal and power industry people with their needs of the moment, which does not make them any the less urgent. It would seem that Minneftegazprom, as conceived by the new structure's creators, will make it possible to "resuscitate" oil exploration. The difficulties experienced by geology today are well known after all. The very identity of the new minister—former director of the JV TengizChevroil—is also notable. Now that he is in that position, the American partners of the Atyrau petroleum workers will feel considerably more confident.... At the same time, some people also see the purely political aspects of the ministry's creation. It is worth recalling, for example, that in the past the present head of the Russian Government was in command of this very industry. As for Ravil Cherdabayev's service record, it offers every basis for such comparisons: deputy chairman of the Guryev

Oblast Executive Committee, first deputy head of the oblast administration, deputy general director of the production association Tengizneftegaz. And to top it all off—candidate of economic sciences, which is very significant in the context of the shortage of economists on the Olympus of executive government.

As for the rest of the country's energy complex, we can take a page from the classics and repeat: Its future is both empty and dark. Judging from the present trend, bringing the power and coal industries under a common sectoral ministry will no longer save the decrepit colossus. Many informed people are inclined to see this as the explanation of why Albert Salamatov, former minister of industry, refused to head Minenergougoleprom [Ministry of Power and Coal Industry]. Although, from what specialists say, this man accomplished quite a bit while "sitting" in the Minprom [Ministry of Industry]. And his departure, which at first seemed somewhat strange, to head the Zhezkazgan Oblast administration is by all appearances related to the government's desire to "restore order" in our copper "economy."

Incidentally, now that we are speaking about heads. The rumor that sprang up early last week that they would soon become members of the Cabinet of Ministers (see ABV, No. 51) seems not be unfounded. The "purge of the ranks" before "entry" into the government helps to explain the simultaneous replacement of three "governors." We should mention that a similar precedent occurred only at the end of last year, when four oblast hakims were simultaneously removed for various reasons.

The striking thing now is that the head of government has removed his deputies in regions with the poorest economic situation (and in the case of East Kazakhstan Oblast [VKO], this applies to the political situation as well). In that same VKO prices of goods and services have quadrupled in the last year and a half, and it takes seven minimum wages to buy the food necessary for elementary survival. Nearly fifty enterprises have been shut down (partially or completely). And all of this against the background of intensifying demands of the population for the region's autonomy, for activation of the Cossacks, and similar sociopolitical ferment. It is not surprising that inhabitants of Rudnyy Altay are more and more frequently inclined to blame all their troubles on the local administration, and probably indirectly on the higher-ups in the executive government. In that context, replacing Amangeldi Bektemisov with Yuriy Lavrinenko is apparently supposed to cool off the passions somewhat, since the VKO belongs to the so-called "Russophone" regions. Another question: How long is the inability of the authorities (both local and central) to protect the social welfare of their subjects going to be covered up with ethnic compromises?

Last week's retirement of Zaura Kadyrova, minister of social security, proved that this is by no means a rhetorical question. No proof is needed for anyone with even a

superficial familiarity with the mores and traditions of the Kazakhstan political elite: This act has no precedent in our homeland. And that also goes for the former minister's interview in the Saturday issue of the government newspaper. The reproaches which Mrs. Kadyrova addressed to the Cabinet of Ministers as a whole and to the finance ministry in particular are quite serious. The latter is essentially accused of having spent up the resources of the pension fund ("2.2 billion rubles were sold to commercial structures at low rates of exchange"). The former minister also made a very significant appeal to the deputies: "I hope that the parliament will restore the pension fund from the budget. It must not be involved in commerce in the true sense of that word." If these hopes are justified, then, in the opinion of many, there will be occasion to speak of the beginning of a government crisis in Kazakhstan. After all, most of the recently elected deputies (as well as their predecessors) are seriously (more or less, of course) concerned with "protecting the interests of the voters." And on 7 March the pensioners were hardly the most vigorous participants in the election. Thus, the "people's choices" have a 100 percent chance of "scoring points" with their constituents. Judging by certain steps taken in the past by our parliamentarians, they will try not to miss that opportunity.

#### Editors View Almaty Mayor's Departure

944K1576A Almaty KARAVAN in Russian 23 Jun 94  
p 3

["Opinions" of Viktor Verk and Mikhail Ustyugov, editors of the policy departments of the newspapers KARAVAN and EKSPRESS K respectively: "Who 'Released' Nurkadilov and Why?"]

[Text] [Verk] So what according to the logic of things should have happened long ago has happened: The permanent (seemingly) mayor of Almaty, Zamanbek Nurkadilov, has been removed from office. The "No. 2" in Kazakhstan had not had a chance to disappear into political oblivion (the position of ambassador in the capital of a Far East "dragon" is in this case tantamount to political death) before many people began to ask: What induced the No. 1 to take this step?

There are several possible answers, in my view. **First possibility.** Nurkadilov had as of late begun all too manifestly to compromise the president, being in terms of status his governor general in the country's principal city. It is sufficient to recall if only his actions during the fall-winter "offensive" against Soviet power. At that time the mayor (he is a member of parliament) himself placed calls to his deputy corps colleagues, offering them key positions in the ministerial-departmental vertical line in exchange for a statement that they were relinquishing their authority voluntarily. Many members of parliament received notice of the need to visit Office No. such and such in the city administration (and some of these many people hastily took up the "invitation"). And in the course of the election campaign to the new

parliament the municipal "head" lobbied quite openly for "his" candidates for the people's elect (there was talk even of the existence of a kind of "mini-official slate" of 13 "Nurkadilovite" candidates (nameplates with a majority of the names of this slate now adorn the doors of the parliamentary candidates).

It is perfectly natural that the talk about this, which percolated into the public (murder will out!), led to the appearance of numerous myths and stories from the life of the "No. 2." There was even talk about his undoubted influence on the No. 1 or the people closest to him and of some documents compromising these people in some way or other. Recalling the folk wisdom concerning fire and smoke, it may be surmised that some individual fragments of these apocrypha could be not far from the truth. On the whole, however, it was hard, observing the ex-mayor's public activity, to escape the feeling of some deliberate "self-publicity": Everyone says that this cannot be done, but I say it can. And I not only say but also do. We need recall if only Z.K.'s initially celebrated appearance on Almaty television of this spring or the business of the cancellation of benefits for retirees and the handicapped (subsequently restored by the president). Then a conference was promptly held in the capital's rayon administrations (in some, at least), which summarized proceedings roughly as follows: The president has restored the benefits—this is his business—we will operate in the old way. This "policy" of the mayor's could not, naturally, have failed to have caused perfectly understandable irritation in the "house upstairs." And the status quo was restored by the method traditional since CPSU times—"...in connection with his transfer to other work." This possibility would seem the most plausible, but there is another. So, **second possibility.** Nurkadilov's removal was connected with the concealed antagonism of some "interest groups" that has surfaced "in public" from time to time (the assassination of Igor Milgramm, the "chief builder" of Almaty, or the scandal surrounding the activity of the capital's meat-packing plant). There are as yet few direct arguments in support of this possibility (based on actual facts), but it should not, in my opinion, be discounted entirely.

**Third possibility.** Nurkadilov was removed to assuage the capital's patriots agitated by the resumed talk (at the prompting of the president himself) of the pending switch of the "crown" to Akmola. In this case the logic of the replacement of the mayor is exceptionally simple: Since this is being done, an attempt will be made, consequently, to "sweep" from Almaty with a "new" broom the old mafia, after which it would still be perfectly suitable for the role of first city of the country. Otherwise opponents of the transfer (which, according to the most modest estimates, would cost no less than \$10 billion) could kick up a fuss via the press and "arouse" the assertiveness of the capital's average inhabitant. Which, with regard to the 1996 presidential elections (until which, incidentally, there remains not as much time as it might seem), is clearly not a part of the plans of Nursultan Nazarbayev....

And, finally, the **fourth possibility**. The ex-mayor of Almaty paid with his position for insufficient concern for the inhabitants of Almaty, that is, the inadequate operation of transport, the growth of crime, the filthy streets, environmental problems, and so on and so forth.

This possibility would seem unlikely, though. For, according to the "sound" tradition that has evolved here, for a failure to discharge his direct official obligations an official is moved to a somewhat higher chair. In Mr. Nurkadilov's case this could be, at a minimum, the office of vice premier. But, in the opinion of people in the know, the formulation "in connection with his transfer to other work" does not leave the former "No. 2" with any hopes of political "resuscitation."

[Ustyugov] The position of head of a megalopolis where all the leading structures—from state through mafia—are concentrated is always fraught with a certain scandal potential. The new appointment to the office of mayor testifies that not simply the "president's man" but a person from outside—experienced and at the same time neutral and totally uninvolved in the clamorous show-downs of the capital of recent times—has come to power in the capital. Shalbay Kulmakhanov was state counselor for housing construction for just seven months. Prior to this he was chief of the Aktyubinsk Oblast Administration, and before this, chairman of the North Kazakhstan Oblast Soviet Executive Committee. It is impossible in seven months, of course, to seriously change anything in such a crisis-ridden sphere today as housing construction. So the personnel shuffle undertaken by the president last November—the transfer of Kulmakhanov to Almaty—appears to have been, rather, an interim step undertaken with a view to the long term.

What determined this choice by the head of state? The calculation, probably, that the new mayor would not make many of the mistakes made by his predecessor. Zamanbek Kalabayevich had clearly detached himself from the government team, which, as the president intends, should be united. Sharply worded utterances about a cabinet failing to supply the city with petroleum products, pursuing a worthless tax, price, and budget policy, and bearing, from the viewpoint of the capital's authorities, "full responsibility to the people for the present situation" were being heard continually from the capital's city hall. It was obvious that Nurkadilov's "team" was playing its own game, the outcome of which was to many observers unclear. In this context Kulmakhanov's appointment looks first and foremost like the restoration of the "team principle." The new mayor will, most likely, act more cautiously, without noisy effects and public accusations against the government and the Supreme Court of Arbitration. Not a political "star" laying claim to a leading role in the state but an experienced manager, whose main task is to transfer the work of city hall from a scandal-populist to a constructive channel, is coming to the capital. Not the easiest of tasks inasmuch as the personnel changes will not spell more money for the city's coffers.

#### **Nazarbayev Spokesman on Almaty Mayor Post**

944K1576B Almaty KARAVAN in Russian 23 Jun 94  
p 3

[Interview with Nurlan Danenov, press spokesman for the president; place and date not given: "What Happened, Happened. And No More Than That"]

[Text] N.A. Nazarbayev's press spokesman comments on the president's recent edicts concerning personnel shuffles in the upper echelons of the executive.

[Question] Nurlan Zhumagaliyevich, the president's speech on television on Tuesday was general and non-specific. He did not give a single direct reason for the "departure" of important officials, Z. Nurkadilov included, from their posts.

[Danenov] These changes are occurring in the context of N.A. Nazarbayev's speech at the session of parliament, in which he spoke of the need for certain personnel adjustments.

[Question] Please be more specific about Nurkadilov, if you can. The wording "in connection with his transfer to other work" without an indication of what work precisely usually means that a person is being removed with a big demotion.

[Danenov] I do not yet know to what kind of work he is being transferred, I do not have this information.

[Question] What happened, why was it decided to remove the mayor of the capital from office?

[Danenov] What happened, happened, and no more than that. Someone else has been appointed head of the capital's administration, and Nurkadilov has been released.

[Question] Is it true that he is in hospital following a heart attack?

[Danenov] I know nothing about this. According to my information, Z.K. Nurkadilov is currently on vacation.

[Question] Nonetheless, has he made a complete mess of things or "fallen somewhat short of his target" or will he be appointed with honor to just as high a position?

[Danenov] I repeat that the measures outlined by the president in his speech to the deputies and his appeal to them are being implemented. There is a rotation of personnel and, in places, their rejuvenation and the replacement of people who have been in their positions too long. When a person has worked for a very long time in one position, he no longer produces the results that he should.

### Commentary on New Almaty Mayor's Style

944K1576C Almaty KARAN in Russian 23 Jun 94  
p 3

[Unattributed report: "The New Chief Is Also a Builder, But Can He Communicate With the Press?"]

[Text] According to information obtained from Petropavlovsk and Aktyubinsk journalists (where Z. Nurkadi-lov's successor, Shalbay Kulmakhanov, was chairman of the oblast soviet executive committee and chief of the oblast administration), our new mayor likes to meet the press. And not only employees of municipal television, what is more. And he is altogether more open and democratic than the severe Zamanbek Kalabayevich.

It is troubling, though, that the new chief, like the old one, is a builder by education and service record. This is a wonderful and the most peaceful profession on earth, but the coincidence is still disturbing. Especially since with a diplomatic evasiveness typical, most likely, of all builder-mayors, Sh. Kulmakhanov successfully turned down the offer an interview with this issue of KARAN-BLITS.

### Socialist Deputy on Supreme Council Issues

944K1553A Almaty SOVET KAZAKHISTANA  
in Russian 21 Jun 94 p 2

[Interview with Gaziz Aldamzharov, member of the Finance and Budget Committee, leader the Socialist Party of Kazakhstan faction, and cochairman of the Progress group, by Vasilii Gryaznov; place and date not given: "Parliament's First Steps May Be Viewed Various"]

[Text] He was born in 1947. A Kazakh. A graduate of a technical school, institute, and the CPSU Central Committee Academy of Social Sciences. He was a mechanical engineer of a kolkhoz, chief engineer of a fish industry association, first secretary of a rayon party committee, secretary and first secretary of the Atyrau Oblast Party Committee, chairman of the Atyrau Oblast Soviet of People's Deputies, deputy chairman of the Committee of the Supreme Soviet for Economic Reform, Budget, and Finances, and chairman of the Control Chamber.

In the present parliament he is a member of the Finance and Budget Committee, leads the Socialist Party of Kazakhstan faction, and is cochairman of the Progress group.

[Gryaznov] Gaziz Kamashevich, the first months of work of the new Supreme Council have passed. How may they be evaluated, in your view?

[Aldamzharov] We spoke a great deal last year about a professional legislative authority. And a new Supreme Council has been elected and has begun to operate on a permanent basis. What we were dreaming of has come to pass, it would seem: A professional parliament has been formed.

But whether it corresponds today to our requirements or not is another matter. And the first stage of its activity could be viewed variously, most likely.

The start of the work of the Supreme Council has not been to the liking of many of people, perhaps. To some extent it does not satisfy us either. This situation may be excused, of course, and it could be said that the new parliament is composed of new people that demanded first and foremost the solution of all organizational questions. And only after this, the basic conditions for work having been created, will the Supreme Council begin to consider the laws that society needs.

If we evaluate the situation from this viewpoint, everything becomes understandable and acceptable.

But it has to be seen from the other side also.

[Gryaznov] It is this, other, side that is predominant in society. The life of the majority of the population of the republic is deteriorating by the day, processes that could have unpredictable consequences are maturing....

[Aldamzharov] Yes, whereas earlier we said that the economy was on the edge of the abyss, it may be shown today with figures in hand that it is now falling into this abyss at full tilt. And this is defined not only by the decline in production but also by the appreciable deterioration in the living conditions of the whole population of the republic. The minimum wage here recently was 40 tenge, today it constitutes 100 tenge. At that time the dollar cost 4.5 tenge, today it is 10 times dearer.

It should be mentioned immediately that such an increase in the minimum wage is wholly unsubstantiated and has been taken "as a rough guide." In no way does it today reflect the subsistence level and is almost 20 times lower than the rational consumer budget. The socioeconomic situation is further characterized by the fact that the solution of many questions has today simply been put in abeyance.

[Gryaznov] To what do you refer?

[Aldamzharov] Even the spring field work, say, has been performed in less organized fashion in the present year than in past years. The areas sown to practically all crops have diminished.

[Gryaznov] We have somehow stopped talking about the difficulties of the countryside, forgetting that foodstuffs and raw material that is most important for man's life are created here.

[Aldamzharov] Yes, we are attempting, as before, to resolve all problems at the expense of the countryside. And are hereby violating all the principles of economics.

Agriculture provides us with more than 50 percent of our national income. In destroying it we are depriving ourselves of these resources. But we are continuing this policy, wiping out society's motivation to labor. And if people are, in fact, still working, it is due to habit: Spring



is here, the land is calling the master, he needs to go into the field. But such patience is not limitless.

In the first quarter of the present year the price of agricultural products increased 17-fold, and of machinery and equipment for the countryside, by a factor of 20.7. Mineral fertilizer has become 23 times more expensive, motor vehicles, 25 times more expensive, and so forth. It is curious, but the cost of agricultural products today is almost twice as high as the selling price. In other words, whatever we produce on the land, everything is unprofitable, nothing justifies itself. And saying under these conditions that our agriculture has some prospects and that the reforms being undertaken in the country are benefiting it is simply immoral.

[Gryaznov] It is hard to imagine even to what the collapse of agricultural production would lead.

[Aldamzharov] Nonetheless, it continues. From 1 April of this year the price of energy was, as we all know, raised once again. Gasoline has become three times more expensive, diesel fuel, three and one-half times more expensive, and electric power, 10 times more expensive. We have calculated that for the sum total of consumed energy alone the countryside has to give back 11 million tonnes of grain. And the machinery, mineral fertilizer, building materials, and wages, finally? It will be good if the year proves productive. But what if there is a drought?

As of this time agriculture is the most aggrieved sphere in our society. We have always said that the countryside is in essence, by nature, and according to the evolved traditions conservative. This is so, and it is not always a bad thing. The countryside represents our common sources. For Kazakhs particularly. After all, our main traditions and language have been preserved thanks to the countryside, the village.

And now no one is saying a word in its defense. The intelligentsia should be doing so, it would seem. But it has one foot in the country, the other, in the town, and is incapable of expressing a steady opinion or of defending the interests of some one social stratum.

The rural population is today suffering most of all. It has the lowest wages, which, in addition, it does not receive for five or six months at a time, and inadequate treatment and diet. And the countryside is not going on strike, it still has hope—in God, the president, and those who govern it—and believes that concern is being displayed for it and that tomorrow life will be better.

But the state and the government have yet to find any solutions to the crisis situation. All eyes are turned as yet in one direction—toward foreign credit. But they are being used other than as intended and are not working for the future. We are simply eating our way through them and once again making shuttle trips to all countries and going with outstretched hand.

[Gryaznov] But let us return to agricultural production. Judging by the Socialist Party's program, you also see the development of private farming as a solution of the problem.

[Aldamzharov] Yes, the process of the disbandment of the kolkhozes and sovkhozes is being introduced persistently. We believe, however, that it should proceed in evolutionary fashion. The traditions of collective management in our people—both Russians and Kazakhs—go very deep.

In tsarist Russia the peasants lived as a commune, the Kazakh people, as one clan. And both peoples always saw the pooling of efforts and mutual support as the salvation from adversities. Today they are being told: Separate and thereby save yourselves from catastrophe. This is a distortion of the truth. And we believe that the kolkhozes and sovkhozes that are producing successfully and providing their people with normal living conditions should be left alone.

Our attitude toward the unprofitable farms is different. But if they are producing what society needs, we should, like it or not, subsidize them.

As far as private farming is concerned, there are more fine words uttered at podiums here than there are deeds. The state does not today have even a concept of farming. We have to think that peasant and mortgage banks could have been created and that the question of the possibility of the land leased by the farmer being mortgaged and of credit being obtained on the strength of this could have been solved in past years. People who know how to work well on the land could have had title to it transferred to them. Not in wholesale fashion, like much that we are doing here today, but with profound economic calculations. These problems will have to be tackled sooner or later, all the same.

Thus in making a general evaluation of today's state of agriculture it has to be affirmed that this sector has no future. But it could have. It is necessary for this that the state know what it wants from the countryside. It is necessary to clearly determine how much in the way of grain, milk, meat, and other products it needs. And give out a government contract on the strength of these quantities and pay the money in stages. Thirty percent of the total amount in spring, say, a further 30 percent in the fall, and all the rest, at the time of the final settlement. The result would be a kind of interest-free loan on the strength of the future harvest. We, however, are forcing the farmer to take out such a loan in a commercial bank at 400 percent annual interest.

Further, if the money for the government contract is not paid out in stages, at the end of the year the state must purchase the products from the peasant at the price that has by this time evolved on the market.

In addition, having received what was contracted by the government, it should have nothing else to do with the

rest of the products: Their producer will himself determine where he should sell them and how.

Processing industry requires serious attention on the part of the state. The kolkhozes and sovkhozes themselves are not in a position to create it, earmarked credit is needed for it. And the state must have a precise program—what kind of plants and shops it requires, how many, and where—and attract foreign investors on the strength of it.

A similar situation is shaping up in many sectors of industry also.

[Gryaznov] What, in your view, should parliament's role be under these conditions?

[Aldamzharov] We need once again to proceed from today's realities. At a meeting of the cabinet last fall the president declared that we had made a mess of the anticrisis program. Shortly after this, a national currency was introduced. In any country a strict policy of economic support for the national currency is devised prior to such an action. We lack such a program. Finally, in April, the president, by edict, required the government to draw up a program for the present year. We do not have this either yet.

Suppose such a program appears. Adopted at such an unstable time, it will inevitably conflict with current laws. Revisions will have to be made to dozens of them since the program will not work without this, for people would comply with the laws, not the program. But the discussion and revision of legislative instruments takes quite a long time.

It has to be observed that the government has had time to prepare such documents. And had it been used rationally, parliament would as of this time have gotten a great deal done. In that case, I believe, the well-known statement of the Supreme Council would not have seen the light of day. But there is still no national program around which all of society could consolidate.

Further, we should clearly recognize that formulating a program that would satisfy absolutely everyone is impossible. This has never been the case anywhere in the world. Consequently, we need not only a program but also people devising it and prepared to answer for its realization. They would determine the appropriate tactics also.

These are indispensable conditions. They are not being observed here.

How do we devise a program? Four or five people are involved in this, usually. Then the document is discussed, amendments are made, and it is approved and begins life. But the people for its fulfillment are chosen not by the person who draws up the program, not the prime minister, but the president, since, according to the constitution, he is both head of state and head of the government.

We propose adjustments to this procedure.

The president is the head of state, who stands above all three branches of power. The head of the executive is the prime minister devising the program and selecting for it executives that think the same way he does. Here we would know clearly who was responsible for what. And, in addition, the dual control—of both the president and the prime minister—would strengthen executive discipline.

Similar changes should affect the administration chiefs also. Today some of them are trying first and foremost to please the president. And if they have done so, that's it, nothing else is of any interest to such a chief. People could write hundreds of complaints about him, the situation will not change. The president himself will not check every such instance, and persuasion is brought to bear on the person doing the checking. Lack of responsibility to the people engenders a general lack of responsibility. We propose, therefore, that all administrators should be elected by the people or the councils. This would strengthen discipline. And provision could be for the preservation of presidential influence on the situation locally for a structure of presidential representatives, as has been done in Russia, for example.

Thus the formulation of a national program of a way out of the crisis, the selection of its executives, and the establishment of a legislative base for and the corresponding adjustment to the political structure should, in our view, be effected simultaneously. The Supreme Council would occupy a fitting place in this process also.

[Gryaznov] Thank you for the interview.

### **Supreme Council Reform, Development Viewed**

944K1555A *Almaty EKSPRESS K in Russian*  
22 Jun 94 p 3

[Interview with Vitaliy Voronov, chairman of the Legal Development of Kazakhstan grassroots association and former chairman of the Committee for Deputy's Powers and Human Rights of the 12th Supreme Council, by Aygul Omarova; place and date not given: "I Always Try To Speak My Mind"]

[Text] Vitaliy Ivanovich showed himself to be in the previous parliament a most active, competent deputy that spoke in defense of human rights. The Law "On Rehabilitation of the Victims of Mass Political Repression" and decisions on the possibility of a change of nationality and on the prohibition against retirees being dismissed in connection with their having reached retirement age were drawn up and adopted with his direct participation.

[Omarova] Vitaliy Ivanovich, three months have elapsed. The election passions have subsided and cooled. How do you evaluate the election results today?

[Voronov] The election results came as a surprise neither to me nor to my fellow thinkers. Part two of the "Marlizonskiy ballet"—dissolution-elections—was performed precisely.

In organizing and conducting the elections and tallying their results the executive made practically no mistakes....

[Omarova] I don't know about you but I personally have the impression that the elections were lost by the opposition three years ago, when the Supreme Council adopted the law on the administration chiefs....

[Voronov] Three years ago there was no question either of an opposition or of administration chiefs.

It should not be forgotten that the institution of administration chief was introduced on 18 January 1992 for the "transitional period" up to 1995. But this system of state power was subsequently enshrined in Chapter XV of the 1993 constitution. For this reason alone I voted against its adoption....

There was no opposition then, nor is there such now.... There can be opposition to some policy or program. The leadership of Kazakhstan does not have an integral program.

Remember what became of the government's hefty Anti-crisis Program? A statement of economic policy for 1994 on one-fourth of a page of newspaper!

[Omarova] Certain highly progressive deputies opted at that time for the administrative positions offered by the president. Everyone is free to choose for himself, naturally, but what had changed? The legislators lost their best, and the executive authorities did not, alas, acquire in their person new faces.... Yet we need to change the system....

[Voronov] Truly, the system of state power needs to be changed. As long as there is a Gauleiter structure of administration of the state and a personnel policy according to the "shuffling of the old pack" principle is pursued and as long as the authorities have an opportunity to adopt unlawful decisions and perpetrate illegal actions (even anticonstitutional actions such as the notorious Operation Noose) with impunity, there will be no improvement in either the economy or in policy....

Changing the system without the presence in society of interested and powerful political forces, an independent press, and the desire of the people themselves, on the other hand, is impossible. Although the chief of state still has, in my opinion, an opportunity to rely on healthy forces and rectify the situation.

[Omarova] The elections to the Supreme Council and the councils of various levels showed that the people are tired and that the struggle for deputy's seats was conducted, in the main, by three parties—the Union of Popular Unity of Kazakhstan, the Socialist Party, and the People's Congress of Kazakhstan—and also the trade

unions, both official and independent. All the other parties and movements managed to elect only individual deputies. It is obvious that the lack of experience and the absence of real leaders took their toll, or was it entirely a question of the nomenklatura that, having consolidated, took revenge for previous defeats?

[Voronov] I would not say so. The people are tired not of elections, the people are tired of indigence, deception, and the mockery of the authorities. And had ceased to believe in these authorities. And it was a struggle not between parties and movements but between the "power party" (to which of the grassroots associations only the SNEK [Union of Popular Unity of Kazakhstan] pertained) and all the rest....

The nomenklatura in Kazakhstan was never defeated. Just look who is running the state currently. Eighty percent of that same party nomenklatura that has become "market and anticommunist." Individual failures are of no consequence.

It is another matter that even the nomenklatura is heterogeneous and is itself torn by contradictions connected primarily with access to the shareout of the "public pie" called privatization.

[Omarova] Parliament has turned out to be quite variegated. Can it justify itself? How professional is the Supreme Council with this breakdown, when there are practically no lawyers or economists?

[Voronov] Parliament should not be justifying itself... Parliament should be performing its main functions: legislative and supervisory. And performing them to a high standard.

Professionalism depends not on the presence of lawyers or economists in the Supreme Council but on the work of professional politicians in it. There are in Kazakhstan, I very much regret to say, very, very few professional politicians (regional and republican) of stature.... There are even fewer people prepared for law-making activity.

The new parliament began work in violation of the constitution, and not only its professionalism but also its probity, more precisely, legitimacy, was thereby immediately called in question.

I am talking about the fact that the Central Election Commission and then parliament also recognized the authority of all the elected deputies, despite the noncompliance by the majority of them with the requirements of Article 68 of the Constitution (all candidates undertook in their statement consenting to run to abide unconditionally by the demands of this article and to resign their positions).

In addition, according to the reports of certain deputies, they have been invited into oblast administrations, where they have been insistently advised against leaving their positions; do not move to the capital but take leave to discharge your deputy's obligations, which is anticonstitutional.

[Omarova] Whatever you may say about the masses, it is hard to exaggerate the role of the individual. And we have to speak about this. Whom among the deputies today might you cite as leaders, who influences parliament's adoption of laws that are vitally necessary for our society?

[Voronov] There are, in principle, many leaders, but mentioning them by name is not the best thing to do.

The elaboration and adoption of laws needed by the people of Kazakhstan can only be influenced by daily painstaking work in the groups of deputies, factions, commissions, and committees. What account the present formal leaders will give of themselves in them is hard to say.... Perhaps they will, on the contrary, perform a destructive role.

[Omarova] The president of the country has declared repeatedly that reforms are progressing here. Perhaps parliament also should have waited before adopting a decision on no confidence in the policy of the government (read: the president)?

[Voronov] The institution of the presidency is now four (!) years old here. The present president has been in the main roles in the state for approximately 10 years. In such a length of time many states, even postsocialist states, have achieved pretty good results in reforms. The day when it will be necessary to answer to the people is not far off, the 1966 elections are coming right up....

Soon our people, objectively more civilized than the Americans in 1776, in my opinion, will also come to an understanding of the proposition of the U.S. Declaration of Independence of universal significance:

"All men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness. That to secure these rights governments are instituted among men, deriving their just powers from the consent of the governed. That whenever any form of government becomes destructive of these ends, it is the right of the people to alter or abolish it and to institute new government, laying its foundation on such principles and organizing its powers in such form as to them shall seem most likely to effect their safety and happiness...."

[Omarova] But market reforms objectively cannot fail to encounter serious difficulties?

[Voronov] But the pilfering of the state treasury and the natural resources, the arbitrary action and lack of responsibility of the bureaucracy, corruption, "plunderization," and so forth—are these the market?

Can reforms leading to the constant deterioration in the situation of the people be considered legal (that is, market)? It is being suggested to the people that they rely only on themselves, endure, tighten their belts, and such here.

If the country is sliding into the abyss, everyone should suffer, and government officials should not be paid high salaries. There should be no talk today about the prestige and responsibility of public service.... In a destitute country ministers should not be driving around in Mercedes but in small cars and only on official business. Not flying in Boeings but on regular scheduled passenger aircraft.... Neither Somalia nor Vietnam permit themselves such things.

Why did the parliament of the powerful FRG discuss not so long since the question of whether Chancellor H. Kohl's automobile was not too expensive?

Even in the Chile of the times of Pinochet (under a fascist regime) and now, when the country is developing rapidly, officialdom has not permitted itself to "grab" Mercedes at public expense because market reforms truly have been undertaken there. Even now, according to eyewitnesses, there are fewer imported cars there than in Kazakhstan (in Almaty even, perhaps).

It seems to me that the Supreme Council would be a big market supporter were it to bring under control and place within a legal framework the super-market reforms of the executive. And this is its sole chance of survival....

[Omarova] The first steps in this direction have already been taken, we recall the statement of the Supreme Council on legislative policy. And this despite the fact that many people were speaking about a "pocket," pro-president parliament.

[Voronov] Our long-standing forecasts that parliament would not be a "pocket-presidential" parliament are being justified. It is formed mainly by administration chiefs, who have long objectively constituted a particular team. And this is why.

One process is, in principle, under way single-mindedly and successfully in the state: the so-called privatization undertaken by the State Property Committee. The administration chiefs, however, have been distanced from it, and the numerous conflicts between them and the territorial authorities of the State Property Committee bear this out. And the chiefs (or their people in parliament) have yet to have their "market" say....

[Omarova] And would you be having your say about this had you been reelected a deputy?

[Voronov] I always try to speak my mind and say what I and my fellow thinker-colleagues consider right. I spoke about this to the president twice as his assistant, and I have not since been admitted to him....

I am sure that my deputy friends will say all that needs to be said from the parliamentary podium. Better than I could, perhaps.

[Omarova] What should we expect from parliament? What is your forecast?



[Voronov] Forecasts are a thankless task. In my opinion, before the 1966 elections there will be either another executive or yet another "self-dissolution".... Although a dissolution, most likely.

Parliament now is like a clean sheet of paper. It will not assume our (12th Supreme Council) "sins." Nor will it assume the sins of the executive.

With the constantly deteriorating position of the people it will simply be forced to "play to the electorate," lest it be swept away by a wave of popular anger, and, consequently, to make claims against the executive (and the judiciary, for that matter), which is not accustomed to rendering account. And we are seeing this in an analysis of the first months of work of the supreme legislative body.

#### **New Role for National Bank Head Evaluated**

944K1534A Almaty PANORAMA in Russian No 24,  
18 Jun 94 p 2

[Article by N.D.: "Republic National Bank To Be Outside the Framework of All Branches of Power"]

[Text] On 15 June, the Supreme Council confirmed Daulet Sembayev as chairman of the National Bank. The National Bank is assigned a special role in the banking and financial reform program proclaimed by the president. Plans call for the National Bank to be outside the framework of all branches of power. It is seen theoretically as an analogue of the American reserve financial system, a distinctive counterweight subject to the lobbyist influence of ministries and committees of the Supreme Council. On the eve of his confirmation to the position of chairman, Daulet Sembayev was removed from the Cabinet of Ministers, and thereby from the system of vertical subordination to the prime minister. In the words of President Nazarbayev, the National Bank will be responsible to us only for the state of the tenge. Characterizing Daulet Sembayev during his speech to the parliament, the president stated: "This is an honest man, without question. I am absolutely convinced of his decency. Also of no small importance is the fact that he is surrounded by young, talented economists." At the same time, the president noted that Sembayev "participated in drawing up and implementing all the previous programs. This too must be noted." It is expected that the National Bank, having received confirmation of its authority, will undertake energetic efforts to reduce monetary emission and, in the final analysis, to stabilize the tenge, if this is supported by the political will of the president and parliament. The appointment of Sembayev is the first personnel matter decided jointly by the president and new Supreme Council. The next candidacy to be presented for examination by the session will be that of Mikhail Malakhov, recently recommended by the president for the position of chairman of the Supreme Court.

#### **Official Interprets Grain Export Decree**

944K1534B Almaty PANORAMA in Russian No 24,  
18 Jun 94 p 3

[Article by Karlygash Yezhenova: "Grain Producers Who Have Completed Mandatory Deliveries May Dispose of the Remainder as They See Fit"]

[Text] Republic Prime Minister Sergey Tereshchenko has signed the Decree on the Sale at Commodities Exchanges of the Kazakhstan Republic of Permits Affording the Right of Grain Export Shipments in 1994.

According to the document, the republic's Ministry for Foreign Economic Relations is given the right to conduct auctions at the International Kazakhstan Agro-Industrial Exchange for the sale of permits to participate in the implementation of intergovernmental agreements for grain export shipments during the current year: 3,000 tonnes to Uzbekistan, 500 tonnes each to Belarus, Kyrgyzstan, and Iran, 360 tonnes to Tajikistan, 150 tonnes to Moldova, and 50 tonnes to Turkmenistan.

Permitted to participate in the auctions are economic entities that have presented contracts for grain shipments from the 1993 crop net surplus as of 1 September 1994, and as of 1 November 1994, from the current year's crop under the condition of priority fulfillment of contracts for grain sales to meet state needs. All contracts must undergo preliminary expert review by the Ministry for Foreign Economic Relations. Grains exported in accordance with intergovernmental agreements are not subject to customs duty. Grain exports through barter arrangement are permissible.

Anatoliy Savelov, deputy chief of the Department for Economic Policy of the republic Cabinet of Ministers, provided the following comments on the decree:

"In 1994, in contrast to previous years, a new, unified procedure was established for selling grain to entities outside Kazakhstan. Grain sales of the 1993 and 1994 crops will be effected in three directions: mandatory grain sales to meet state needs, grain shipments in accordance with intergovernmental agreements, and sales of other net surpluses of grain.

"Mandatory grain deliveries to meet state needs are effected in accordance with the Decree of the Kazakhstan Republic Cabinet of Ministers on Purchases and Shipments of Agricultural Output for State Needs in 1994. According to the decree, the total volume of mandatory grain deliveries to the state is 7 million tonnes. This volume is divided among the 17 republic oblasts. In this regard, it is stipulated that the directors of ministries, associations, joint-stock companies, and other republic organizations entrusted with functions as state clients, as well as the heads of oblast and rayon administrations, are responsible for the placement and fulfillment of orders for grain purchases and deliveries for state needs in the full amount and of suitable quality.

"Grain producers who have completed their mandatory deliveries may dispose of the remaining grain as they see fit, including exporting it.

"Rural producers have two ways of doing this.

"The first is to sell the grain through Kazakhstan's fulfillment of intergovernmental agreements. Here the Ministry for Foreign Economic Relations conducts auctions at the Kazakhstan Agro-Industrial Exchange in the sale of permits for the right to effect export shipments of grain in accordance with intergovernmental agreements. Obtaining a license in this manner affords the following benefits: exemption from customs duty of the entire volume of grain to be shipped, and first-priority issue of serviceable, covered freight cars for grain shipment.

"The second method consists of nonauction sale for export to any country of grain net surpluses for either the currency of this country or through barter arrangement, at the grain producer's discretion.

"In this event, the grain producer, or other economic intermediary selected by the producer to sell its grain surpluses, purchases export permits that are sold by oblast organs of the Ministry for Foreign Economic Relations at regional commodities exchanges.

"An economic entity is obliged to present a contract for the grain shipment, including a shipment through barter arrangement, to the oblast organ of the Ministry for Foreign Economic Relations for its expert review. It must then obtain a license and register the contract in question at the regional commodities exchange.

"In all cases except mandatory deliveries for state needs, grain sales must be effected prior to 1 September 1994 for sales from the remainder of last year's crop, and after 1 November for sales from the 1994 crop.

"The mandatory expert review of contracts is established with the aim of preventing grain shipments at dumping prices."

#### **National Bank Operations Reviewed**

944K1552A Almaty SOVETY KAZAKHSTANA  
in Russian 21 Jun 94 p 1

[Article by special correspondent Vasilii Gryazov under the rubric "Session of the Supreme Soviet": "What Kind of Bank Do We Need?"]

[Text] Financial experts are receiving complaints from all sides today.

The people are looking for the causes of the deterioration of our life and are inclined to see them in the sphere of monetary circulation and the work of the banks. They think the latter have caused their investments to lose value, they are "heating up" inflation, ruining the economy, etc. Money has become the measure of everything on earth, and nobody ever has enough of it. The banks are the main ones involved with money....

"In fact," says the republic's chief banker, Daulet Sembayev, "such an approach to the realities of the day is too simplistic."

He was speaking before parliament at the plenary session on the morning of 16 June. And before that he "passed" through two committees of the Supreme Soviet—on finance and the budget and on the economic reform. The latter discussion with the deputies lasted four hours.

The amount of attention paid to Daulet Sembayev is linked to the fact that the parliament had to approve the president's edict of 17 December of last year on his appointment to be chairman of the republic's National Bank.

As we know, the previous members of the Supreme Soviet had approved Galym Baynazarov for this position for a period of six years.

But after the parliament's authority was suspended he submitted to the republic president a request to resign because of health reasons. The president granted his request, placing Daulet Sembayev in the position of head of the National Bank.

Every one of us is constantly dealing indirectly with banks.

But many are unaware of the specific nature of their activity. And everything that has occurred in our former USSR has had a negative effect on their operation. First of all there was the collapse of economic ties and the destruction of the ruble zone. Additionally, our banking system, in the opinion of specialists, has remained immobile for decades and is the most outdated in the world.

And now it must rise to the level of world standards almost all at once. Is this possible?

Probably a lot could have been done during the past two or three years. It is up to specialists to analyze the reasons why this did not happen. But even today the National Bank has not yet entered the market age. It continues to perform many functions that are not properly within its realm. Forces are being dispersed and the normative base is in need of further improvement although, it seems, there are special laws on banks. Its possibilities of effectively influencing the monetary-credit policy are still limited.

And nonetheless, in Daulet Sembayev's words, the National Bank is taking certain steps in the necessary direction.

Today it is no longer working directly with economic agents and is not granting them direct credit but is concentrating its efforts on administering the state banking system. Credit auctions have become a regular event and payment relations are being arranged with the banks of the countries of the Commonwealth.

More than 20 normative acts have been developed and will be enacted, work is proceeding on new laws, and measures are being taken to lower the inflation level to 12-15 percent by September and to 5-10 percent by the end of the year. We already managed to reach these goals in January-March of this year.

The deputies were interested in the reports not only on the main directions of the banks' activity but also on more specific measures it has begun to implement.

In particular, effective 1 July up to 40 percent of the credit resources will be distributed through auctions in the oblasts. The introduction of auctions—an element of the market in monetary circulation—is linked to the fact that only through them it is possible to establish the true value of money. The use of credit for its intended purpose is being monitored more closely. Effective 1 July a system of "mortgage credit" will be introduced whereby it will be possible to borrow money using securities, mainly government, as collateral. Three auctions have already been held for selling these securities.

According to the logic of the transformations the republic National Bank should become a normal state bank that meets world standards, and all commercial banks should be executive bodies that preserve their authority as intermediaries that attract investments from the population and legal entities. The first version of this reformation has already been developed and sent to all interested parties for study. It earmarks the transformations of the branch banks, especially the Agroprombank, increases demandingness with respect to commercial banks, etc.

As early as last year a supervisory department was created in the National Bank that was intended to protect the interests of the depositors. During the year it investigated the activity of 160 banks and 261 branches.

For violations revealed during the course of these inspections 15 licenses were revoked and 200 million tenge in fines were imposed.

The following detail is also of some interest: The structure of the apparatus in the National Bank has been reduced recently, and 143 jobs have been cut. A new form of wages will be introduced for employees whereby focus will be placed on bonuses for workers for their personal contribution to the institution's successful activity. Plans are being developed for training and retraining of personnel and the introduction of electronic equipment with future access to the consolidated computer network.

In a word the National Bank is gradually making the changes demanded by life.

But Daulet Sembayev's report did not satisfy all the deputies even though it was filled with information. The speaker was asked many questions and then the members of parliament exchanged opinions. The chairmen of the Supreme Council committees on finance and budget,

Orazgeldy Baymuratov, and on economic reform, Orazaly Sabdenov, reported on the conclusions drawn at the committee meeting. Both sets of conclusions contained harsh critical remarks against the National Bank, but the former recommended that Daulet Sembayev be confirmed for the position and the latter abstaining.

The same range of opinions existed among the deputies. Mukhtar Tyunikeev, for example, was inclined to think that a certain amount of the blame for today's situation in the economy and finances lies with Daulet Sembayev personally, and Kazhymurat Nagmanov is convinced that it is wrong to blame the National Bank for all the problems because it cannot conduct an independent economic policy but carries out the will of the government and parliament. This range of opinions became more apparent during the voting. There were 95 members of parliament who voted in favor of approving the president's edict.

#### State of Oil, Gas Industry Assessed

944K1537A Almaty PANORAMA in Russian No 24,  
18 Jun 94 p 13

[Article by Taumush Dzhumagaliyev, State Prize Laureate of the Republic of Kazakhstan, candidate of geological-mineralogical sciences, "honored" oil worker: "Oil and Gas Industry of the Republic Is Dormant, Although It Has Absolute Grounds for Independent Existence"]

[Text]

#### Oil

The principal scope of geological prospecting for oil and gas in the Caspian depression was oriented until recently on the search and prospecting for fields in subsalt deposits. This direction justified itself with the discovery in the 10th Five-Year Plan of very large gas and oil fields, which made it possible to create a powerful base for the country's oil and gas production. But the oil and gas condensates that emerged, unique in their reserves, and the fields contain a substantial concentration of aggressive components, which impeded their processing, because of the unresolved aspects of many technological and technical problems. It is enough to recall that the USSR lagged behind the West for almost 20 years in the level of development of production technologies.

All of this made it compelling to sign an agreement with the Chevron Corporation. Difficult negotiations were conducted in the course of several years, and a contract was signed as a result within the framework of the USSR. According to the new contract (1992), the period of validity was set at 40 years. This transaction will be appropriate, although the contract has not been subject to expert ecological examination as yet.

Analysis of the results of geological prospecting work in the 12th Five-Year Plan showed that their effectiveness in the Caspian gas and oil bearing province is one of the

highest in the former Union. The five-year task for increasing the reserves of oil and condensate in the republic as a whole and in West Kazakhstan was fully implemented owing to the exploration of previously discovered productive sites (Karashagana, Zhanazhol, Tengiz, and Korolevskoye).

Active prospecting in the subsalt deposits that was undertaken in the last 15 years was not crowned with success, at least at depths up to 5-5.5 kilometers in a number of areas that were studied in detail from a geophysical standpoint and drilled intensively, and with which a high promise of gas and oil presence was associated. And this will create a tense situation in increasing the raw materials base of the republic, although today, as never before, there is a need for highly profitable oil and gas fields that are accessible for quick and highly efficient development.

The main reason for the difficult situation that has developed, in my opinion, is the elimination in 1982 of the Kazneftegazrazvedka administration, which was formed over the decades and which explored very large oil and gas condensate fields. Also having a negative influence is the disunity of the geophysical service in West Kazakhstan and its inadequate resolution capability in the preparation of deep drilling structures.

The necessity for combining the geophysical organizations of the former Nefteprom and the Ministry of Geology, which will make it possible to reduce administrative expenditures, urgently suggests itself. Moreover, the demarcation of territories of West Kazakhstan between departmental organizations will be removed, which will make it possible to concentrate prospecting geophysical research in the most promising directions.

In the meantime, the scientific organizations of the branch are not very concerned about the development of methods of qualitative evaluations of fields in the early stages of prospecting work. This leads to delays in the dates for prospecting and exploration and also to an unjustified increase in their costs. The oil and gas prospecting areas of Tortay, Elemes, and others, where several dozen subsalt deep wells were drilled almost without results serve as an example here.

As for the academic scientific organizations, in my opinion, they are still engaged in unspecific research, such as: "The study of the sedimentary basin evolution to evaluate their oil and gas bearing potential and determine the priority directions in the development of the Republic of Kazakhstan fuel-energy complex," or the "compilation of a prediction map of gas and oil in the Caspian Depression."

The main task of the geological prospectors always remained to shift predicted reserves to a proven reserve category; that is, industrial. All efforts should be directed at exactly this.

There are no new discoveries, and the old ones have already been sold at a loss, including Kenbay (Moldabek-Kotyrtas), the largest super saline oil field, now named the Munay SP [joint enterprise]. Its reserves were successfully protected by KazNIGRI in 1990, and the field has been readied for exploitation. Unfortunately, it remains to this day a subject of discussion between Kh. Biderman, an American businessman, and the administration of Kazakhstan's Atyrau Oblast.

The conservation of reserves, instead of their accelerated involvement in processing, is at the least an impermissible luxury, bordering on crime, for the economy of the state. It is paradoxical that no one bears any kind of responsibility for such mistakes. It would be proper, in accordance with the 5 April 1994 Kazakhstan presidential edict "On Additional Measures for Regulating the Use of Mineral Resources for Geological Study and the Mining of Minerals," to accelerate the conduct of strict order in the use of mineral resources."

The situation is no better with the development of marginal [zabalansovy] or suspended oil fields. For example, Zholdybay and Akhmeshet were transferred with the approval of the oblast administration to the Atyrau trading house. The latter, having a vague idea about the oil business, is creating the Sanako firm, which plans to invite Western partners as contractors, in order to take their equipment and technology. Moreover, they want to settle with them with money, and they are again taking credit from the state.

It turns out to be more profitable in such cases to rely on foreign investments than on credits and loans, inasmuch as they ensure direct access to modern technologies, etc. The main thing is that a heavy burden is not assumed by an already depleted budget and, to the contrary, this promotes its increase. It is not without reason that world practice recommends that investors should be involved primarily for the development of already explored fields.

Kazakhstan is blindly imitating Russia in many aspects, forgetting that since 1992 it has been the law there that the one who finds and produces oil is the one who trades in it. But in our republic, as before, it does not serve the workers. As a result of which the oblast that is the richest in an industrial sense was transformed into an impoverished and backward kray. As is known, 94.3 percent of the explored reserves of oil and gas and more than 90 percent of the potential resources of hydrocarbons are located in West Kazakhstan, and its significance as the main region of the republic for producing oil and gas will not change even in the long run, which should be made the basis of the strategy for the development of the fuel-energy complex. All of these arguments are intensified many times over, if the unsold predicted resources on the land and especially in the water area of the Caspian Sea are taken into account. Kazakhstan unquestionably will become a second Kuwait to the extent that the Caspian shelf is developed while observing clean geological protection.



It should be added to what has been said that 149 of the 160 oil and gas fields, and five of the six oil and gas producing associations, are situated in this kray, and the Yuzhkazneft PO [Production Association] acquires its development through the organization of the Caspian oil and gas-bearing complex. This connection must be maintained permanently.

The total of the aforementioned facts dictates the need for moving the headquarters of the Kazakhstanmunaygaz to West Kazakhstan. With time it will be necessary to examine the question concerning the location of the Kazakhstankaspiy shelf. It must be assumed that the industrial development of the continental shelf will start in the northeast of the Caspian, and not on the "Trans-Il Alatau shelves."

The degree of exploration of resources in Kazakhstan is relatively low. This means that a significant and stable increase in oil production in the republic depends not only on the development of known fields, but also on the results of prospecting-exploratory work. Their level in recent years is sharply lowered, while, given the existing geological potential, it should grow steadily.

There is an extremely difficult situation in the geological industry today. At the present time, geological exploratory work has been stopped in many organizations. For example, in the former Atyrauneftegazgeologiya PGO [expansion not identified], now the Akbota holding company, 65 percent of the oil and gas exploration enterprises this year are functioning thanks to the Kazakhstanturkmunay, and out of the remaining staff, a majority has been cut, and the rest are on indefinite leave. In the advanced North-Emba oil and gas exploration expedition, out of 10 drilling brigades, three remain today that maintain themselves on state budgetary infusions of the Ministry of Geology. Field geologists do not receive their wages for months.

Recently, after conversion to joint-stock companies, the Embaneft PO became the Embamunaygaz Joint-Stock Company and the Tengizneftegaz PO in Kulsary became the Tengizmunaygaz Joint-Stock Company. The sum of their annual oil production totals not more than 2.3 million tonnes, of which 823,000 tonnes is the share of the latter. I think it would be advisable to combine them into one under the aegis of the Embamunaygaz Joint-Stock Company. The common process in oil and gas production is artificially divided into indicators that are not related to each other, which consist of: an increase in reserves, preparation in linear kilometers, meters gone through or drilled wells, tonnes of produced raw materials, kilometers of laid pipelines, etc.

### Regional Energy Disputes Outlined

944K15501 *Almaty KAZAKHSTANSKAYA PRAVDA*  
in Russian 21 Jun 94 p 1

[Article by Lyubov Dobrota: "Is the Power Industry on the Brink of Regional 'Sovereignization'?" Vital Activities

in the Entire Southern Section of the Republic Have Been Endangered by a Single Stroke of a Pen"]

[Text] For the last 30 years, all three southern oblasts of our republic were supplied with electricity through the Yuzhkazenergo system. Following the disintegration of the USSR, the bulk of the power capacity in this region ended up abroad, in Tajikistan, Uzbekistan, and Kyrgyzstan. The Zhambyl GRES [State Regional Electric Power Station] is the only station that is in a position to meet 80-90 percent of local needs. However, in view of a fuel shortage, the Yuzhkazenergo distributes the miserly amount of power which the station currently generates evenly among South Kazakhstan, Zhambyl, and Kzyl-Orda Oblasts.

This robs of its sleep the leadership of Zhambyl Oblast, which considers itself the owner of electricity generated at the Zhambyl GRES. The two adjacent oblasts are not taken into account. The desire to dissociate at any price borders on the absurd. For example, it is proposed to tear down the power lines built by the Yuzhkazenergo Production Association and to create Zhambylenergo, which will report solely to the local authorities. The government has given the go-ahead for the partition of the power industry in South Kazakhstan, apparently being reluctant to pick a quarrel with the administrator of Zhambyl.

Gennadiy Knyshev, deputy chief engineer of Yuzhkazenergo, believes that "10 years ago, when the economy operated in a far steadier manner, such a reorganization could have been feasible. At present, this is a step toward the abyss."

The consequences of the undertaken transformations are easy to figure out. For example, where are skilled cadres to be had? Hardly anyone will go to Zhambyl from the abolished Yuzhkazenergo or Russia. On the contrary, specialists that are left without a job will head for the historical motherland. Inexperienced people will be recruited by the Zhambyl administration, and, therefore, the likelihood of an emergency situation will increase. This is as clear as can be to the power industry personnel of all three oblasts. Being concerned about this turn of events, they appealed to Kazakhstanenergo, the former Ministry of Power and Fuel Resources, and the republic government with a letter which, in particular, says: "Electricity consumption in the region remains the lowest in the republic. At a stressful time of preparations for the coming winter, with a minimal reserve of fuel, spare parts, and materials available to us, we learned with alarm about the expected division of our energy system and the creation of a separate staff for the Zhambylenergo administration. We insistently ask you that the issue of reorganizing the structure of the power industry in south Kazakhstan be canceled until the economic and financial situation stabilizes and the power supply to the region is made steadier. The construction of a high-voltage power line to carry cheap electricity from the north to the south of Kazakhstan is a priority issue in accomplishing the stabilization of the

financial and economic situation of the power industry and a steady supply to the three oblasts of south Kazakhstan in which more than one-third of the economic potential of the republic is concentrated."

Would it not be better to invest all the funds to be spent for the reform into building this line? For the sake of fairness, stresses G. Knyshev, we must note that among the reasons for the "divorce" there is an objective one. The current tax policy is such that the tax is collected for the budget from the entire Yuzhkazenergo. Zhambyl Oblast loses a certain proportion of these taxes. All of them go to Almaty and are then distributed in a centralized fashion. Would it not be better to try and solve this problem at the level of taxation rather than slicing through the flesh of a single organism?

Following the creation of Zhambylenergo, the establishment of similar autonomous structures in Kzyl-Orda may become the next step. After all, the power industry of Shymkent will not be able to maintain them itself because the Kzyl-Orda power group, especially TETS-6 [Heat and Electric Power Station-6] meets its outlays out of the funds generated by Yuzhkazenergo. In a word, the power industry in the south of the republic is on the verge of regional or, more precisely, localistic "sovereignization." Meanwhile, poor examples are easy to follow...

**EDITORIAL NOTE.** As a message from the republic president to the Kazakh Supreme Council said, the current government and heads of oblast administrations do not amount to a unified team that is necessary to stabilize the economy and enhance reform. A quite convincing confirmation of this is found in the situation described by our correspondent, which concerns a key, basic sector in the absence of which no other sector can exist in a regular manner. It cannot fail to surprise us that the partitioning of the power industry, whose strength is precisely in the unity of the technological process and the opportunity for various enterprises to instantly come to a neighbor's rescue, is being devised in one of Kazakhstan's large regions with a blessing from Almaty at a time when the integrationist initiatives of the republic's president, including the creation of the Eurasian Union gain ever more supporters beyond the Kazakh borders. However, the exact opposite thing will begin to happen here any moment.

This shows once again how topical the proposals of the president are to bring to an end "confusion and hesitation" involving the government, the local authorities, and various sectors—in the interest of the economy, the society, and the people.

#### National Petroleum Reserves Summarized

944K1550B Almaty: ABV in Russian 20 Jun 94 p 4

[Article by Alla Okulevich: "Kazakhstan's Oil Reserves"]

[Text] There was a time when some college professors delivering lectures about the oil and gas fields of the USSR to their students referred to data taken from foreign sources. Within the country, all information was considered secret to varying degrees. Time has passed, and secret classifications have been removed; however, to this day we have been getting only disjointed information. I would like to remedy this situation to a degree and provide for your attention information on the general condition of the Kazakh oil and gas industry.

The Kazakh Republic has recoverable oil reserves of 2.1 billion tonnes, condensate reserves of 0.7 billion tonnes, and gas reserves of 1.7 trillion cubic meters.

Some 26 million tonnes of oil and condensate and 8.1 billion cubic meters of natural gas were produced in 1992. In 1993, production fell to 22 million tonnes of oil and condensate and 6.5 billion cubic meters of gas.

Consumption stood at the level of 23 million tonnes of oil and 20 billion cubic meters of gas.

For comparison: Nigeria, Venezuela, and Mexico have similar levels of reserves. However, Mexico produces approximately six times more than Kazakhstan, Venezuela—four times more, and Nigeria—three times more.

The bulk of the proven reserves of oil and gas and hypothetical reserves are located in the western part of Kazakhstan: in Mangistau, Atyrau, West Kazakhstan, and Aktyubinsk Oblasts; small reserves exist in Kzyl-Orda Oblast.

The reserves are distributed among 160 fields. However, only 58 fields are producing (10 of these fields hold about 80 percent of all reserves). The rest are not worked because they fall into the category of resource fields (keeping with the Soviet system of reserve evaluation). It is possible that some of these fields may be reclassified as profitable, and their development may begin if they are reevaluated in keeping with the American system.

Hypothetical reserves of oil are estimated to be 4.4-5 million tonnes on land and 3.5 billion tonnes on the shelf of the Caspian Sea; hypothetical reserves of gas—8.1 and 2.0 trillion cubic meters, respectively, and hypothetical reserves of condensate—1.635 million tonnes. These reserves have been calculated for five oil and gas basins. In addition, there are nine sedimentation basins with oil and gas prospects in the territory of Kazakhstan. This is a very important factor because at present about 90 percent of all reserves are used for development, and it is necessary to vigorously conduct prospecting that at present is being gradually wound down for lack of funds.

The fields are developed by two state holding companies with the resources of territorial production associations. Some fields, including the largest in Kazakhstan, Tengiz, have been transferred for development to joint ventures with foreign participation. Small fields that have not been developed previously have been transferred to the jurisdiction of local administrations.

Kazakhstan has three oil refineries: in Atyrau (using oil from Kazakhstan), in Pavlodar (using oil from Russia), and in Shymkent (using oil from Russia and Kazakhstan), as well as two gas processing plants. However, the capacity of these plants and the assortment of products manufactured by them are by far not enough to meet the needs of the republic (their output meets only slightly more than 70 percent of the republic's needs).

Take a look at the map of Kazakhstan. Oil production is concentrated in the western part of the republic whereas two of the main, relatively modern oil refineries are located in the eastern part. The pipeline that feeds these oil refineries comes from West Siberia along the Pavlodar-Shymkent line and then on to Central Asia. To be sure, a pipeline from the Kumkor field (Kzyl-Orda Oblast) which delivers about 1 million tonnes of oil to the Shymkent oil refinery is connected to the former pipeline. For a number of reasons, the Pavlodar Oil Refinery is idle most of the time at present, whereas the Shymkent Oil Refinery operates at hardly one-half of its capacity.

Yet another oil refinery in Atyrau has a stable supply of raw materials. However, it has long since become worn-out and obsolete (the depth of refining comes to 56 percent and is at the levels of the 1950's), while it is capable of processing only about 5 million tonnes of raw material a year.

No oil refinery in Kazakhstan produces industrial oils, although we do have fields with very valuable oil that is shipped away as far as Yaroslavl specifically to produce oils.

Out of 22 million tonnes of oil produced last year, only 5 million tons were used within the republic. Where does the rest of the oil go?

Some of the oil from Mangistau and Atyrau is used at the Atyrau Oil Refinery, about 5 million tonnes is exported far away from foreign countries. Small amounts are delivered to CIS countries, including up to 2 million tonnes, whereas in former years were transported through the port of Aktau to Baku and Makhachkala; a large proportion goes to Russia.

The top line overall picture appears as follows: On the political level, at the times of the USSR, the entire flow of oil and gas moved from east to west. Small hoses for oil and gas stream in order to meet the needs of republics. It was not important whether these republics had oil of their own—everything was subordinated to the overall picture. With its own oil available, Kazakhstan was forced to use Siberian oil while pumping further west its own oil located closer to the western borders of the USSR.

The Kazakh oil and gas complex has been fully integrated with that of Russia. This is why we cannot produce oil even at the fields even though we have an opportunity to do so. For this reason, Kazakhstan, which has large oil reserves and produces 22 million tonnes a

year, and in previous years up to 27 million tonnes, cannot provide refinery products for itself. This fact is at the very least surprising.

Now that the readers have a general idea of the oil and gas complex, I can offer something like a conclusion with which some might not agree.

Kazakhstan has a very disadvantageous location, which is designated in the English language by the very felicitous and precise term "land-locked" [word published in English]; this can be translated as "locked by land." The significance of this for the oil and gas industries is tremendous because in this case access to hard-currency markets is much more complicated.

The reason hampering the development of the oil and gas industries is found in the very structure of the oil and gas complex or, more precisely, the way in which it developed during Soviet times: It is comprehensive integration, which was quite logical and perhaps justified at one time. However, the further continuation of this structure and this situation makes it possible for third countries, including Russia and Turkey, to bring pressure to bear on Kazakhstan in order to achieve their objectives. The issue of economic independence remains open under such circumstances whereby other states have levers for the most powerful economic influence at their disposal.

### Land Transaction Procedures Explained

944K1554A Almaty KAZAKHSTANSKAYA PRAVDA  
in Russian 21 Jun 94 p 2

[Article by KAZTAG: "Acquire and Dispose...."]

[Text] To implement the president's Decree on Further Improvement of Land Relations, the Cabinet of Ministers has adopted the procedure for individuals and legal entities of the republic to buy and sell the right of heritable life possession, use, or lease of plots of land. The State Committee for Land Relations and Land Development has been ordered to make the necessary adjustments in the base rates of the appraised sale value of these rights on the basis of the data of the state statistical service on the overall level of inflation.

Heads of local administrations, individuals, and legal entities (excepting state agricultural enterprises) of the republic may be sellers of the right of heritable life possession, use, or lease of plots of land, and citizens of the republic may be buyers.

A right of heritable life possession of land is purchased pursuant to Article 48, paragraph 3, of the republic Land Code and point 5 of the president's 24 January 1994 decree "On Certain Aspects of Regulating Land Relations." Legal entities of the republic (excepting state agricultural enterprises) may also purchase the right to use or lease a plot of land.

Foreign legal entities and individuals are granted plots of land for temporary use on a lease basis pursuant to the regulation on the procedure for granting the use of land to joint ventures, international associations and organizations, and foreign legal entities and individuals, to perform an activity on the territory of the republic, as set forth in the Supreme Soviet decree dated 3 July 1992.

Citizens of the republic are granted without compensation the right of heritable life possession of land to operate a peasant farm or private farm, for market gardening, and for construction of a private dwelling or dacha within the limits of the quota established for the respective use, and the right of heritable life possession of land in excess of those quotas may be purchased from the head of the local administration.

Local representative and executive bodies fix the size of plots of land to which individuals may be granted the right of heritable life possession for these purposes without compensation.

Individuals who, when the president's 5 April 1994 decree "On Further Improvement of Land Relations" took effect held plots of land whose size exceeds that quota retain in all cases the right of heritable life possession of the portion of the plot of land that exceeds that quota.

Individuals who previously acquired heritable life possession of plots of land to operate a peasant or private farm, for market gardening, or for construction of a private dwelling or dacha may sell to other individuals and legal entities of the republic their right of possession of plots whose size does not exceed the established quota.

In cases when the total area of plots of land exceeds that quota, before conducting a sales transaction individuals must buy from the head of the local administration the right of possession of the portion of the plot that exceeds the established quota.

Individuals granted land to operate a private farm, for market gardening, or for construction of a private dwelling or dacha may sell the right of heritable life possession of a portion of the plot. Use of that portion of the plot must conform to current legislation.

Individuals and legal entities of the republic who have been granted use of plots of land or have leased them for nonagricultural purposes (except for the purposes of construction of a private dwelling or dacha) may sell that right to individuals and legal entities of the republic only when they have purchased that right from the head of the local administration.

On acquiring the right of ownership to immovable property, including unfinished construction projects, the individual or legal entity acquires at the same time, by virtue of the purchase, the right of possession, use, or lease of the plot of land on which the property acquired

is located. In case of privatization of immovable nonagricultural property, including unfinished construction projects, the individual or legal entity at the same time acquires the right of use or lease of the plot of land on which the property acquired is located, pursuant to the procedure established in a decree of the Cabinet of Ministers dated 9 March 1994.

To conduct a sales transaction, the seller files with the regional agency of the State Committee for Land Relations and Land Development a statement of intent to sell his right to the plot of land and the buyer a statement of his intent to buy that right.

The regional agency of the State Committee for Land Relations and Land Development verifies that the land owner or land user has documents certifying the right to use the plot of land, measures more precisely the actual boundaries and area of the plot of land, and also defines the terms of sale of the right and its value. In cases of a discrepancy between the actual size and boundaries of the plot and those indicated in documents, the remeasurement data are duly submitted for consideration and approval of the head of the local administration.

The costs related to determining the value and terms of sale of the right of heritable life possession, use, or lease of plots of land shall be paid by the purchaser at the current unit rates for the jobs performed, payable to the special budget account of the regional agency of the State Committee for Land Relations and Land Development which did the appraisal of these rights.

The transaction of the sale of the right of heritable life possession, use, or lease of a plot of land between the seller and buyer takes the form of a sales contract. The map (sketch) of that plot is appended to the contract.

The right of heritable life possession, use, or lease passes from the seller to the buyer when the regional agency of the State Committee for Land Relations and Land Development registers the notarized sales contract.

Transactions involving the right of heritable life possession, use, or lease of plots of land may be conducted provided there are no land disputes concerning the plots and no other impediments to conclusion of the transaction established by legislation.

Suits to invalidate the sale of the right of heritable life possession, use, or lease of plots of land are taken only in the courts.

When the right of heritable life possession, use, or lease of plots of land is sold, taxation and collection of the state duty are governed by republic legislation.

The notarized sales contract is the basis on which the buyer prepares and duly files the document certifying the right of heritable life possession, use, or lease of the plot of land.

The purpose for which the plot of land is to be used may not be altered without consent of the head of the local



administration. The document issued previously to the seller certifying his right to the plot of land is terminated. The decree has determined the appraised value of the right of heritable life possession of a plot of land for operating a peasant farm.

Plots located on land dedicated to agriculture in the steppe and arid-steppe zones in the plains will cost from 28 to 11,100 tenge per hectare, depending on the soil quality rating.

Plots located on farmland in the semidesert, desert, and foothill-desert areas are valued between 28 and 2800 tenge per hectare, depending on the soil quality rating.

The appraised value of the right of heritable life possession of plots granted for operating a private farm, for construction of a private dwelling or dacha, or for market gardening, including land occupied by structures, is fixed at 300 tenge per 0.01 hectares.

The appraised value of the right of heritable life possession of plots of land located within city limits or a zone subject to special urban planning regulation is multiplied by a factor of 1.2 in cities with a population from 100,000 to 250,000; 1.4 when the population is between 251,000 and 500,000; 1.6 when the population is between 501,000 and one million; and 2 when the population exceeds one million.

Regional agencies of the State Committee for Land Relations and Land Development have the right to double or reduce by half the appraised value of the right of heritable life possession, use, or lease of a plot of land depending upon its location, the level of building-service equipment, and the level of public amenities of the area, development of the sector of cultural and everyday services to the public, the level of public health and hygiene, and other factors.

The appraised value of the right of use or lease of a plot of land is determined in accordance with the procedure whereby an individual or legal entity acquires the right of use or lease of the plot of land when immovable property for nonagricultural purposes is privatized, as set forth in the decree of the Cabinet of Ministers dated 9 March 1994.

Proceeds which heads of local administrations realize from the sale of the right of heritable life possession, use, or lease of a plot of land shall be credited to the republic budget.

Individuals and legal entities transferring the right of heritable life possession, use, or lease of plots of land as their contribution to authorized capital of joint stock companies, partnerships, or cooperatives, including those with foreign participation, relinquish those rights unless the charters of those organizations stipulate otherwise.

The right of heritable life possession, use, or lease of plots of land is reassigned to the aforementioned joint-stock companies, partnerships, or cooperatives, including those with foreign participation, according to established procedure.

The donation or mortgaging of the right of heritable life possession of land by individuals and the mortgaging of the right to use land by legal entities shall conform to the procedure established by the republic's Civil Code and Land Code, and by the Law on Mortgages.

### More on Zhayrem Privatization Dispute

944K1549B Almaty KAZAKHSTANSKAYA PRAVDA  
in Russian 21 Jun 94 p 1

[Article by Vladislav Nikolayev, KAZAKHSTANSKAYA PRAVDA correspondent: "The Zhayrem Knot: Who Will Cut It?"]

[Text] Zhayrem—this is the location of a group of deposits of lead, zinc, silver, manganese, and rare metals that is unique in scale. There were plans in the USSR Government to create the country's largest polymetallic combine here. Zhayrem was a directive construction site of the last Soviet five-year plans and the main theme of numerous decrees at the highest level. Sovereign Kazakhstan organized a free economic zone here, and these places were visited repeatedly by foreign firms with intentions to invest their capital. But everything ended up with the fact that, unexpectedly for the collective of the joint-stock company Sary-Arkhopolimetall, 51 percent of the shares were sold at a coupon auction.

This caused a shock in Zhayrem. Fazylyzhan Sadvakasov, the president of the joint-stock company, made an urgent flight to Almaty, where he tried to have a talk with Goskomimushchestvo [State Committee for the Administration of State Property] regarding the "hasty" privatization of the enterprise without wide publicity and an individual project. An appeal to parliament and the president was approved at a stockholders' meeting concerning a restoration of violated laws and decrees of the government and the provisions of the state committee itself. After all, there was no mention of the Zhayrem ore-dressing combine in any of the published lists submitted at the auction of products. Nor was the cost of the charter fund evaluated, which was determined according to the status of April of last year and amounted to a total of 16 million tenge, while the real current price is tens of millions of dollars.

This haste could have been explained if the combine were chronically unprofitable and a completely hopeless enterprise. But this is not the case at all. For example, last year the production of polymetallic ores was halted because of shipment distances and the unprofitableness of its processing. But a demand for manganese emerged, and the production was reprofiled. At that time, 84,000 tonnes were produced, and this year it is planned to extract seven times more from the earth. But the main thing is that ore consumers were found in Kazakhstan. It

was requested by the Karmetkombinat, the Yermakovskiy ferro-alloys plant, and the Zhambylskiy chemical industry, which gave the practically stalled extraction a second wind. Also for the first time in recent years, the Sary-Arka Polymetall joint-stock company will acquire a solid profit. But in order to cover fully the growing demand of the republic for manganese and to come out on the foreign market, it is necessary to build a factory at a cost of \$50 million. And if three times more is added to this to erect this kind of a factory for the processing of polymetallic ores, then it will be possible to restore the main production and make it profitable.

Who will invest these sums, when 46 percent of the shares were acquired by Kazpotreboysuz? If Zhayrem proved to be not affordable for the former powerful Ministry of Nonferrous Metals, the present Ministry of Industry, and the Aksunkar holding company, then where will the resources and forces be gotten for the consumer cooperative? Its privatization funds bought shares of Zhayrem, as Sadvakasov told me, after submitting applications the night before the auction, without even becoming familiar with the large economic activity ahead of time.

However, this is their right, and I have nothing against Kazpotreboysuz. There is concern only that one of the most important enterprises in the republic, which started to come out of the crisis independently, will become an object of discord, will not get a reliable manager, and, consequently, that no one will cut its knot of problems.

#### **Suleymenov Views Ethnic Russian Issues**

944K1549A Moscow MOSKOVSKIYE NOVOSTI  
in Russian No 23, 5-12 Jun 94 p A10

[Interview with writer Olzhas Suleymenov, leader of Kazakhstan's People's Congress, by MOSKOVSKIYE NOVOSTI correspondents Sanobar Shermatova and Viktor Kiyaniys; place and date not given: "The Russian Problem Cannot Be Resolved by Reshaping the Borders"]

[Text] [MOSKOVSKIYE NOVOSTI] Various political forces in Russia are expressing themselves on the problem of Russians in Kazakhstan, and the spectrum of opinions is broad—from Zhirinovskiy to Solzhenitsyn. How do you, a Kazakh, see this problem, and does a solution exist?

[Suleymenov] It seems to me that the statements of such an authoritative writer as Solzhenitsyn are far more dangerous for peace between Russia and Kazakhstan than Zhirinovskiy's provincial [mestechkovyy] imperialism. Solzhenitsyn is a remarkable writer and a distinguished personality, but geopolitics is not his specialty, and he has already proven this. It is hardly likely that the problem of Russians in Kazakhstan can be resolved by reshaping the borders.

[MOSKOVSKIYE NOVOSTI] The principle of the firmness of borders now, when the status of Nagorny

Karabakh, Abkhazia, and the Dniester region is being decided, is being put to a serious test. The states of Central Asia, where the current borders were drawn in the 1920's rather arbitrarily, have territorial claims on one another, including Russia on Kazakhstan. What should be done about this?

[Suleymenov] Every forced reshaping of borders—this is a lot of blood, war, and death. The border problem can be discussed in negotiations, and an agreement can be reached. This is a long process, but it is the only acceptable one, if we want peace. I think that we nevertheless will take Europe's path, where borders are rather conditional. Kazakhstan, Kyrgyzia, and Uzbekistan took a step in this direction, when they eased customs rules. Border questions with Russia can be resolved in exactly the same way. One of the main ones—the problem of citizenship for Russians and Kazakhs in our countries—can be resolved within the framework of a Eurasian Union. This idea is now being worked out in Kazakhstan.

[MOSKOVSKIYE NOVOSTI] Do you support it?

[Suleymenov] The sore subjects of our societies, in particular of the Russian-speaking population, can be resolved only in the close integration of Kazakhstan and Russia. I do not see in this an infringement on Kazakhstan's sovereignty. Just exactly as I do not see an infringement on the national dignity of Kazakhs in the event that the Russian language receives official language status.

[MOSKOVSKIYE NOVOSTI] Do you consider this practical?

[Suleymenov] Why not? The ratio of the Kazakh and Slavic populations in Kazakhstan is almost proportional; therefore, it is quite logical that the two languages should have official status. No sensible person will reject the language that he knows. And practically every Kazakh speaks Russian. Why and to what purpose should we reject the Russian language, which gives us definite advantages in the sphere of culture and international relations? Kazakhstan and Russia are fated to live as neighbors, and it depends on us, Kazakhs, Russians all citizens, whether it will be at odds or well and in harmony.

#### **Official Explains Causes of Emigration**

944K1536A Almaty PANORAMA in Russian No 24,  
18 Jun 94 p 3

[Interview with Gazis Yesmukanov by Viktoriya Nartova; place and date not given: "The Main Cause of Emigration Is Economic Instability"]

[Text] Problems of the migration of the population have become very urgent for Kazakhstan. The migration processes occurring in the republic today and their prospects are described for PANORAMA by Gazis Yesmukanov, chairman of the republic Migration Department.

"The Emigration Act was adopted in the republic in June 1992, and the need for the creation of a department to execute this law arose. Originally the department was called upon to assist the resettlement of those compatriots that were living abroad and that wished to return to their historical home.

"Today, when the process of population migration is becoming a most urgent problem of the state, the department is dealing with problems of population migration as a whole.

"The departure of significant numbers of the population from Kazakhstan had been observed as of the 1960's. But, this process has assumed considerable proportions in recent years. The migration result last year swallowed up, it may be said, the natural population increase and the influx of population into the republic: The population of Kazakhstan declined by 60,000. This phenomenon cannot be called normal, and it is with good reason that it is causing concern in the leadership of the republic.

"The greatest outflow of the population is observed in such oblasts as Almaty, Mangistau, Pavlodar, and Karaganda, that is, in oblasts where industry is most developed. The population of German nationality, in the main, is leaving oblasts with a developed agriculture—Kokshetau and Akmolina."

[Nartova] What, in your view, is the main reason for the population's departure?

[Yesmukanov] Officers of the department conducted a special opinion poll in this connection. The results showed that the main reason for the departure of the majority of families is the economic instability, the uncontrolled prices, and the decline in the living standard. Practically all the people see no prospect of the situation improving. In addition, many are leaving to reunite with relatives that live outside Kazakhstan.

According to the poll data, 25 percent of Russians and 70 percent of Germans are contemplating leaving Kazakhstan.

Some 369,000 persons left Kazakhstan in 1992. But I should mention that a certain reduction in the numbers of those leaving was observed in 1993. A program with which we hope to contain and regulate the spontaneous process of population migration and to ascertain the reasons for the outflow of population, of the able-bodied population with higher education particularly, is being devised in the department at this time.

[Nartova] You took part in the international conference on the problems of refugees in Moscow, tell us about it, please.

[Yesmukanov] The conference was held during 6-10 June, and problems of refugees and involuntary resettlers on the territory of the former USSR and also the prospects of an alleviation of their position were discussed. It took place under the aegis of the International

Peace Foundation, it was opened by Anatoliy Karpov, president of the International Association of Peace Foundations, and representatives of the UN High Commission for Refugees and also leaders of migration services of all 15 former republics of the USSR were present. As I have mentioned, the problems of the refugees are connected primarily with a violation of human rights and infringement of the rights of the individual on national grounds. Attention was paid to the flash points and the various conflicts flaring up increasingly on the territory of the former USSR and also to the significance of UN peacekeeping missions in these regions.

The summary document was an appeal to the heads of all states for the adoption of all measures to ensure human rights and liberties and suppress all manifestations of aggressive nationalism and racial and religious enmity.

[Nartova] Speaking of the containment of migration processes, were any agreements reached with Russia for it is there, after all, that the main flow of emigrants from Kazakhstan heads?

[Yesmukanov] Truly, Russians constitute 52 percent of those leaving the republic. And much will depend on our relations with Russia. I visited the Migration Office in Moscow. It has accumulated much valuable experience, and we hope that contacts between our departments will develop successfully.

In March 1994, Presidents Yeltsin and Nazarbayev signed a memorandum on the basic principles of the solution of questions connected with citizenship and the legal status of citizens of the Kazakh Republic living in Russia and Russian citizens living on the territory of Kazakhstan. The document specifies a number of measures whose preparation and elaboration are geared to the resolution of problems in this sphere. Work in this area is being performed currently both in Russia and in Kazakhstan.

[Nartova] What, in your opinion, does the republic government need to do to reduce the number of emigrants?

[Yesmukanov] Primarily, to improve the economic situation in the state and to stabilize prices first and foremost. It is then essential to make a number of amendments to the Language Act, including to adopt a provision on development of the Russian language.

### **Regional University System Established**

*944K1551A Almaty KAZAKHISTANSKAYA PRAVDA in Russian 21 Jun 94 p 2*

[A KAZTAG report under the rubric "In the Republic Government": "Five Regional Universities Created"]

[Text] For the purpose of further improving higher education and developing the regional university system of training specialists and scientific-educational cadres,

the republic Cabinet of Ministers by its decree has reorganized within the 1994 appropriations, keeping in effect the current procedures for their financing:

Imeni S. Seyfullina Akmolinsk Pedagogical Institute into Akmola University. It will include the Akmola Engineering and Construction Institute, renamed the Akmola University Construction Institute; the oblast institute for teachers' continuing education; the Akmola Technical School for Transportation Construction; the Akmola Technical School of Construction; the Akmola Pedagogical College; the Akmola Technical School of Automotive Transportation; and the Akmola Technical School of Machine Building;

Imeni Khalel Dosmukhamedov Atyrau Pedagogical Institute into Imeni Khalel Dosmukhamedov Atyrau University. It will include the Atyrau branch of the Kazakh National Technical University, renamed the Imeni Khalel Dosmukhamedov Atyrau University Institute of Oil and Gas; the Aktau branch of the Imeni Khalel Dosmukhamedov Atyrau Pedagogical Institute; the Atyrau Pedagogical Vocational School; the Atyrau Polytechnic Vocational School; and the oblast institute for teachers' continuing education;

Kazakh State Technical University into Pavlodar State University. It will include the Imeni S. Toraygyrov Pavlodar Pedagogical Institute, renamed the Pavlodar State University Imeni S. Toraygyrov Pedagogical Institute; the oblast institute for teachers' continuing education; the Pavlodar Technical School of Machine Building; the Pavlodar Construction-Erection Technical School; the Pavlodar Chemical-Mechanical College; the Pavlodar Professional-Technical School No. 9; the Aksus Technical School of Physical Culture; the Aksus Technical School of Power Generation; the Ekibastuz Technical School of Mining; and the Ekibastuz Pedagogical Vocational School;

Imeni K. Ushinskogo Petropavlovsk Pedagogical Institute into North Kazakhstan University. It will include the Petropavlovsk branch of Karaganda Polytechnic Institute, renamed North Kazakhstan University Higher Technical College; Petropavlovsk Pedagogical College; Petropavlovsk Industrial-Pedagogical Technical School; North Kazakhstan Mechanical Technical School; and the oblast institute for teachers' continuing education;

Imeni I. Zhangusurov Taldykorgan Pedagogical Institute into Imeni I. Zhangusurov Taldykorgan University. It will include Taldykorgan Industrial-Pedagogical College, Taldykorgan Judicial Technical School, and Zharkent Pedagogical College; the oblast institute for teachers' continuing education; and the Taldykorgan Professional and Technical School No. 12.

The Ministry of Education is instructed to approve the structure of aforementioned universities, as well as organize proper methodological support. With the concurrence of the heads of Akmola, Atyrau, Pavlodar, North Kazakhstan, and Taldykorgan oblast administrations, it

is to define the principles of interaction between educational institutions becoming components of universities.

The Cabinet of Ministers agreed with the initiative of the Ministry of Education to introduce in republic universities (academies) the academic title of professor of the relevant school of higher education and corresponding positions in the staff roster within the limits of appropriations on the maintenance of professorial and teaching staff.

The Ministry of Press and Mass Media is asked to grant the newly-created universities the right to publish and to render assistance in setting up their printing facilities.

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As we were told by the Cabinet of Ministers staff, with the formation of five new regional universities in Akmola, Atyrau, Pavlodar, Petropavlovsk, and Taldykorgan, which will be training specialists with higher education and scientific-pedagogical cadres for adjacent oblasts as well, practically the entire republic is now covered by a university system. In the past institutes of higher education existed in Almaty, Karaganda, Kostanay, Turkestan, and Ust-Kamenogorsk.

## UZBEKISTAN

### Law on Elections to Oblast, Rayon, City Councils of People's Deputies

#### Text of Law

944K1452A Tashkent PRAVDA VOSTOKA in Russian  
26 May 94 pp 3-4

[Text of Republic of Uzbekistan Law "On Elections to Oblast, Rayon, and City Councils of People's Deputies"]

[Text]

#### I. General Provisions

##### Article 1. Basic Principles of Elections

Elections to oblast, rayon, and city councils of people's deputies are conducted on a multiparty basis through territorial single-mandate election districts for a term of 5 years.

Deputies to oblast, rayon, and city councils of people's deputies are elected by secret ballot on the basis of universal, equal, and direct suffrage.

##### Article 2. Universal Suffrage

Elections of deputies to oblast, rayon, and city councils of people's deputies are universal. Citizens of the Republic of Uzbekistan who have turned 18 years of age by election day have the right to vote. Citizens of Uzbekistan who have turned 21 years of age by election day have the right to be elected.



Citizens who have been declared incompetent by the court as well as persons who are being kept in incarceration by the court's sentence cannot be elected and do not participate in elections.

A citizen of the Republic of Uzbekistan may not be a deputy in more than two representative organs of power at the same time.

#### **Article 3. Equal Suffrage**

Every citizen who is a voter has one vote.

Citizens of the Republic of Uzbekistan have equal suffrage regardless of social origin, racial and ethnic affiliation, gender, education, language, attitude toward religion, type and nature of job, or personal, social, or property status.

#### **Article 4. Direct Suffrage**

Deputies of oblast, rayon, and city councils of people's deputies are elected by citizens directly.

#### **Article 5. Secret Ballot**

The balloting for elections of deputies to oblast, rayon, and city councils of people's deputies is free and secret. Monitoring the expression of will of the voters is not permitted.

#### **Article 6. Glasnost in Making Preparations for and Conducting Elections**

Election commissions make preparations for and conduct elections to oblast, rayon, and city councils of people's deputies openly and publicly. Election commissions inform citizens of their work, the formation of voting precincts, the make-up of election commissions, and the commissions' location and work times; familiarize them with the voter rolls and the list of political parties participating in the elections; and announce information on candidates for deputy and the results of voting and the elections. One representative (observer) from each political party, representative organ of power, and citizens' organ of self-government which nominated candidates for deputy and representatives of the press, television, and radio have the right to be present at meetings of election commissions, at polling places on election day, and when votes are being counted. Those persons' authority must be confirmed by the appropriate documents.

Political parties, representative organs of power, and citizens' organs of self-government which have nominated candidates for deputy announce their representatives to the district election commissions at least 15 days before the elections.

The mass information media of the Republic of Uzbekistan cover progress in preparations for and conduct of elections.

## **II. Election Districts and Voting Precincts**

### **Article 7. The Formation of Election Districts**

The following territorial election districts are formed to elect deputies:

no more than 60 election districts in oblast and the Tashkent City councils of people's deputies;

no more than 30 election districts in rayon and city councils of people's deputies.

One deputy of the corresponding council of people's deputies is elected from each election district.

Within the limits of the norms established by this Law, the number of election districts for elections to oblast, rayon, and city councils of people's deputies is established by the corresponding council of people's deputies, based on the size of the voter population, the territory, and other local conditions.

Election districts are formed by the corresponding oblast, rayon, and city election commission, as a rule with an equal number of voters. The boundaries of election districts are determined with consideration of the administrative-territorial arrangement of oblasts, rayons, and cities.

Lists of election districts indicating their boundaries and the number of voters are published by the corresponding oblast, rayon, and city election commission no later than the 15th day after elections have been set.

In accordance with Article 99 of the Republic of Uzbekistan Constitution, councils of people's deputies and election districts for elections to those councils are not formed in cities of rayon subordination or in rayons which are parts of cities, nor are deputies elected.

### **Article 8. The Procedure and Norm for Forming Voting Precincts**

Voting precincts are formed with consideration of the boundaries of rayons, cities, and urban rayons in order to create the maximum convenience for voters. Voting precincts are also formed in military units.

Voting precincts may be formed at sanatoriums, vacation lodges, hospitals and other inpatient treatment institutions, and in places where citizens are in remote and not easily accessible rayons. These voting precincts are part of the election districts at their locations.

Voting precincts are formed by rayon and city election commissions at the submission of the khokims [governors] of rayons and cities, and in military units—at the submission of the commanders of units or troop formations.

Voting precincts are formed no later than the 30th day after elections have been set. In military units and in remote and not easily accessible rayons, voting precincts

are formed during the same period, but in exceptional cases, not later than 5 days before the elections.

Voting precincts are formed as a rule with at least 20 and no more than 3,000 voters.

The khokims of the rayon and city allocate space to each voting precinct to organize voting.

The rayon or city election district establishes the system for numbering the voting precincts and organizes notification of voters of the boundaries of each voting precinct, indicating the location of the precinct election commission and the polling places.

### III. Election Commissions

#### Article 9. The System of Election Commissions

The following are formed to organize and conduct the elections:

- an oblast election commission for elections to the oblast council of people's deputies;

- a rayon election commission for elections to the rayon council of people's deputies;

- a city election commission for elections to the city council of people's deputies;

- district election commissions;

- precinct election commissions.

#### Article 10. The Formation of the Oblast, Rayon, and City Election Commissions

An oblast, rayon, or city election commission is formed by the corresponding council of people's deputies no later than the 10th day after elections have been set and is made up of a chairman and 6-14 other members of the commission.

The deputy chairman and the secretary of the commission are elected from among its members at the commission's first meeting. The oblast, rayon, and city election commissions publish information on their make-up and the commission's address and telephone number in the local press organs.

#### Article 11. The Powers of Oblast, Rayon, and City Election Commissions

The oblast, rayon, and city election commissions do the following:

- 1) provide monitoring of the fulfillment of this Law on the corresponding territory, ensure its uniform application, and provide explanations on questions of the organization of the elections;

- 2) form the appropriate election districts for elections to the oblast, rayon, or city council of people's deputies, accordingly, and assign them names and numbers;

- 3) form district election commissions for elections to the corresponding council of people's deputies and publish information on their locations.

- 4) send work to the corresponding election commission, determine the procedure for making changes in their make-up, and on their own or at the submission of the procurator of the oblast, rayon, or city are able to repeal decisions of the district and precinct election commissions in the event that these decisions contradict the Law;

- 5) accept the appropriate documents from political parties, representative organs of power, and citizens' organs of self-government nominating candidates for deputy;

- 6) register candidates for deputy of the corresponding council of people's deputies and publish information on them;

- 7) ensure candidates for deputy equal conditions for participating in election campaigns;

- 8) distribute monetary means to the corresponding election commissions, control allocation of space, transport, and means of communication for election commissions and examine other questions of the material-technical support of elections;

- 9) approve the form and ensure the production of ballots for elections to the corresponding council of people's deputies, voter rolls, protocols of election commissions, absentee ballots, their own seals, and other election documents;

- 10) hear reports from representatives of political parties, local state organs, citizens' organs of self-government and organs of public associations on questions related to making preparations for and conducting elections.

- 11) summarize the results of elections to the corresponding council of people's deputies, register elected deputies, and publish reports on the results of the elections and lists of elected deputies in the press;

- 12) deliver documentation needed to verify deputies' powers to the mandate commission of the corresponding council of people's deputies;

- 13) decide questions related to conducting repeat elections;

- 14) review petitions and complaints against decisions and actions of the corresponding election commissions and make decisions on them;

- 15) deliver materials on violations of this Law which entail criminal responsibility to the procurator's office organs;

- 16) ensure that documents related to conducting and organizing elections are delivered to the archives.

1) execute other powers in accordance with this Law and other legislative enactments of the Republic of Uzbekistan.

#### **Article 12. Formation of the District Election Commission**

The district election commission is formed by the corresponding oblast, rayon, or city election commission no later than the 20th day after elections have been set and is made up of the chairman, the deputy chairman, the secretary, and 6-8 other members of the commission.

#### **Article 13. Powers of the District Election Commission**

The district election commission does the following:

- 1) provides monitoring of the fulfillment of this Law on the election district's territory;
- 2) informs voters of the location of voting precincts;
- 3) provides candidates for deputy equal conditions for participating in the election campaign;
- 4) issues identity documents to candidates for deputy who have been registered by the corresponding oblast, rayon, and city election commissions;
- 5) helps organize meetings of candidates for deputy with voters;
- 6) registers proxies of candidates for deputy and issues the appropriate identity documents to them;
- 7) hears reports by representatives of political parties and citizens' organs of self-government and managers of public associations, enterprises, institutions, and organizations on questions related to making preparations for and conducting elections;
- 8) supervises the compiling of voter rolls and sees that they are made universally available for inspection;
- 9) approves the text of the ballot for the election district and supplies precinct election commissions with ballots;
- 10) establishes and delivers to the corresponding oblast, rayon, and city election commissions the results of elections in the election district;
- 11) organizes the conduct of runoffs and repeat elections as well as elections of a deputy to replace one who has withdrawn;
- 12) reviews petitions and complaints against decisions and actions of precinct election commissions and makes decisions on them;
- 13) executes other powers in accordance with this Law and other legislative enactments of the Republic of Uzbekistan.

#### **Article 14. Formation of the Precinct Election Commission**

The precinct election commission is formed by the rayon or city election commission no later than 50 days after elections have been set and is made up of 5-19 members, including a chairman, deputy chairman, and secretary. If the commission is formed with under seven people, the chairman and the secretary are elected.

In necessary cases, the number of people in the precinct election commission may be increased or reduced.

#### **Article 15. Powers of the Precinct Election Commission**

The precinct election commission does the following:

- 1) makes up the voter rolls by precinct;
- 2) handles apprising voters of the voter rolls, accepts and reviews petitions on mistakes and inaccuracies in the rolls, and decides the question of making the appropriate changes in them;
- 3) accepts the closed envelopes with the absentee ballots from voters who on election day are unable to be at their places of residence and participate in the voting;
- 4) advises the population of the day of the elections and the polling place;
- 5) provides preparation of polling places, ballot boxes, and other election equipment;
- 6) organizes voting at the voting precinct on election day;
- 7) counts the votes cast at the voting precinct;
- 8) reviews petitions and complaints on questions of preparations for the elections and the organization of voting and makes decisions on them;
- 9) executes other powers in accordance with this Law and other legislative enactments of the Republic of Uzbekistan.

#### **Article 16. Membership in Election Commissions**

A member of a commission may be released from performance of his duties at his personal request or in the event he is stripped of his powers.

The right to strip a member of a commission of his powers belongs to the organ which formed the commission if that member has violated the requirements of this Law or systematically ignored his duties.

When necessary a new member of the election commission is appointed in the manner established by this Law.

The chairman, deputy chairman, secretary, and other members of the election commission may not be members of political parties. Candidates for deputy of oblast, rayon, and city councils of people's deputies may not be members of election commissions.

One and the same person may be a member of only one election commission.

#### **Article 17. Organization of the Work and the Term of Office of Election Commissions**

A meeting of an election commission is valid if at least two-thirds of the commission's makeup on the day of the meeting participate in it. A commission's decision is made by open ballot by a majority vote of the commission's total makeup. Members of a commission who do not agree with the decision have the right to express their particular opinion, and that is attached to the protocol in written form. In the event of a tie vote, the presiding officer has the deciding vote.

A decision of an election commission made within the limits of its authority is mandatory for fulfillment by the lower-ranking election commissions, as well as by the corresponding local state organs, political parties, and other public associations, labor collectives, military units and managers of enterprises, institutions, and organizations.

By the election commission's decision, during preparations for the elections or during the elections, the chairman, deputy chairman, secretary, or other member of the election commission may be released from performing production or official duties and still retain his average wage using capital allocated for conducting the elections.

State organs, organs of public associations, enterprises, institutions, organizations, and officials are obliged to help election commissions execute their powers and to present the information needed for their work.

State organs, enterprises, institutions, and organizations make spaces and equipment needed to make preparations for and conduct elections available to election commissions free of charge.

On questions involving preparations for and conduct of elections, the election commission has the right to appeal to the appropriate local state organs, organs of public associations, managers of enterprises, institutions, and organizations, and officials who are obligated to review the question raised and give the election commission an answer in no more than 3 days.

District and precinct election commissions cease their activity after the corresponding council of people's deputies recognizes the authority of the deputies for the corresponding election districts.

Oblast, rayon, and city election commissions cease their activity after the election of deputies in all election districts, the elections to the corresponding councils of people's deputies.

#### **Article 18. Review of Complaints Against the Decisions of Election Commissions**

Decisions of election commissions may be appealed by the organs of political parties, representative organs of power, and citizens' organs of self-government which nominated candidates for deputy, candidates for deputy, observers, and voters to the higher-ranking election commission or in court within 10 days after the decision has been made. The complaint must be reviewed within 3 days after it is received, and if less than 6 days remain until election day, immediately.

#### **IV. Setting of Elections and Nomination and Registration of Candidates for Deputy to Oblast, Rayon, and City People's Deputies**

##### **Article 19. Setting of Elections of Deputies**

Elections of deputies to oblast, rayon, and city councils of people's deputies are conducted as a rule at the same time and are set by the Oliy Majlis [parliament] no later than 3 months before the term of office of deputies expires.

The day of elections is reported in the press and other mass information media no later than 3 days after it has been set.

##### **Article 20. The Right To Nominate Candidates for Deputy**

Political parties and rayon and city councils of people's deputies have the right to nominate candidates for deputy to oblast councils of people's deputies.

Political parties and citizens' organs of self-government have the right to nominate candidates for deputy to rayon and city councils of people's deputies.

A political party may nominate candidates for deputy on the condition that it is registered in the manner established by law no later than 6 months before the day of elections is set.

##### **Article 21. Documents Submitted by Political Parties To Participate in Elections**

In order to nominate candidates for deputy, within 20 days after the elections have been set, a political party must submit the following documents to the appropriate oblast, rayon, and city election commissions:

an application to participate in the elections signed by the head of the appropriate oblast, rayon, and city organ of the political party;

a certificate showing that the political party was registered no later than 6 months before the day of elections was set.

Upon submission of these documents, the corresponding oblast, rayon, or city election commission issues a dated certificate to the political party's representative. On the basis of the documents submitted, within 5 days the election commission makes the final decision on



allowing the party to participate in the elections. The list of parties participating in the elections is published in the order the applications were received in the appropriate oblast, rayon, and city press.

#### **Article 22. The Procedure for Nominating Candidates for Deputy**

Nomination of candidates for deputy to oblast, rayon, and city councils of people's deputies begins on the 25th day after elections have been set and ends 45 days before the elections.

Nomination of candidates for deputy to oblast councils of people's deputies is conducted by the oblast organs of political parties and at meetings of rayon and city councils of people's deputies.

Nomination of candidates for deputy to rayon and city councils of people's deputies is conducted by the corresponding rayon and city organs of political parties and at gatherings (meetings of representatives) of citizens.

Political parties, rayon and city councils of people's deputies, and citizens' organs of self-government are empowered to nominate one candidate for deputy apiece in each election district located on the corresponding territory. If two or more organs of self-government are located on the territory of the election district for elections to the corresponding rayon or city council of people's deputies, nomination of the candidate for deputy is conducted at a meeting of their representatives. The corresponding rayon or city election commission establishes the norm of representation for the meeting.

Citizens who work or live on the territory of the corresponding oblast, rayon, or city are as a rule nominated as candidates for deputy. One and the same person may be presented as candidate for deputy in only one election district for elections to the corresponding oblast, rayon, or city council of people's deputies. The procedure for selecting candidates for deputy is determined by the political parties, representative organs of power, and citizens' organs of self-government themselves.

Political parties are empowered to nominate only members of their party or nonparty members as a candidate for deputy, while rayon and city organs of representative power and citizens' organs of self-government have a right to nominate as candidates persons regardless of their affiliation with a particular party. A protocol is made up on the nomination of candidates for deputy.

The leader of the corresponding organ of the political party, rayon or city council of people's deputies, or citizens' organ of self-government petitions the appropriate oblast, rayon, or city election commission to register candidates for deputy. The following documents are attached to the petition:

the decision of the corresponding organ of the political party, the rayon or city council of people's deputies, the gathering (meeting of representatives) of citizens, or

the meeting of representatives of the citizens' organs of self-government nominating candidates for deputy;

the protocol of the corresponding organ of the political party, the rayon or city council of people's deputies, the gathering (meeting of representatives) of citizens, or the meeting of representatives of citizens' organs of self-government on the nomination of candidates for deputy indicating the name, patronymic, and surname of the candidate for deputy, his date of birth, occupation, post (type of job), place of work, place of residence, and party affiliation, as well as the name and number of the election district;

the petition of the candidate for deputy for consent to run in that election district;

the petition releasing persons indicated in the second part of Article 23 of this Law from the post occupied if elected a deputy.

The appropriate oblast, rayon, or city election commission issues a certificate indicating the date and time the documents were accepted to the person who submitted the documents.

The appropriate oblast, rayon, or city election commission checks and gives a finding on compliance of the documents submitted with the requirements of this Law.

Following established procedures, the oblast, rayon, or city election commission informs the managers of the corresponding organs of political parties, rayon or city councils of people's deputies, and citizens' organs of self-government of discrepancies and deviations from the requirements of this Law in the documents submitted for registration.

#### **Article 23. Demands Made on Candidates for Deputy**

The following persons cannot be registered as candidates for deputy:

citizens who have a criminal record which has not been canceled or quashed in the manner established by Law;

citizens who have not permanently resided on the territory of the Republic of Uzbekistan during the last 5 years before the day elections were set;

members of the Armed Forces of the Republic of Uzbekistan and associates of the National Security Services, the Ministry of Internal Affairs, and other paramilitary subunits;

professional employees of religious organizations and associations.

Judges and officials of the procurator's office organs are registered as candidates for deputy on the condition that they submit a petition to be released from the post they occupy if they are elected deputies.

**Article 24. Registration of Candidates for Deputy**

The corresponding oblast, rayon, or city election commission ceases to accept documents from political parties, rayon or city councils of people's deputies, and citizens' organs of self-government for registering candidates for deputy 7 days before the registration period is over.

A registration certificate is issued to a person nominated for candidate for deputy in accordance with this Law.

Registration of candidates for deputy ends 35 days before the elections.

The corresponding oblast, rayon, or city election commission publishes notification of registration indicating the surname, name, and patronymic, year of birth, party affiliation, post occupied (type of job), place of work, and place of residence of the candidate and the name of the organ which nominated the candidate for deputy in the local press within 5 days after the candidates for deputy are registered.

**V. Pre-Election Agitation. Guarantees of the Activity of Candidates for Deputy****Article 25. Pre-Election Agitation**

Pre-election agitation begins the day candidates for deputy are registered by the corresponding oblast, rayon, or city election commission.

Candidates for deputy are granted the equal right to use the mass information media and to hold meetings with their voters both at assemblies and in other forms convenient to voters. Voters' assemblies are organized by the precinct election commission together with the khokim's office of the rayon or city. Election commissions and khokim's offices of rayon and cities offer candidates for deputy equipped spaces for assemblies. Assemblies and meetings of candidates for deputy with voters are held during nonwork time. Voters are informed of the time and place where assemblies and meetings are to be held in advance.

State organs, public associations, managers of enterprises, institutions, and organizations, and citizens' organs of self-government are obliged to provide assistance to candidates for deputy in organizing meetings with voters and obtaining the necessary reference and information materials.

Political parties are granted the right to present a program of their future activity. The programs of parties and candidates for deputy cannot be directed against the sovereignty, integrity, or security of the republic, must not infringe on the health and morals of the people, and must not contain propaganda for war or national hatred or racial or religious enmity or calls for a violent change in the constitutional order or actions violating the constitutional rights and freedoms of citizens.

Agitation is not permitted on election day.

**Article 26. Proxies**

A candidate for deputy of an oblast, rayon, or city council of people's deputies may have up to three proxies. The proxies conduct agitation to elect the candidate a deputy and represent his interests in interrelations with local state organs, organs of public associations, and voters and in election commissions.

After registration, a candidate for deputy selects proxies at his own discretion and notifies the district election commission of them. The election commission registers the proxies and issues identity documents to them.

A candidate for deputy may deprive his proxy of his powers and replace him at any time before the elections after informing the district election commission of this. A proxy has a right to surrender his powers at any time.

A proxy may not be a member of an election commission.

**Article 27. The Right of a Candidate for Deputy to Free Travel**

After registration, a candidate for deputy of an oblast, rayon, or city council of people's deputies has the right to travel for free on all types of state passenger transport (with the exception of taxis and specially ordered trips on other types of transport) within the boundaries of the corresponding election district. A candidate for deputy who lives outside the boundaries of the election district enjoys the same right for traveling in the election district and returning to his place of residence.

**Article 28. Loss of the Status of Candidate for Deputy. Withdrawal of Candidacy by a Candidate for Deputy**

A political party, rayon or city council of people's deputies, or a citizens' organ of self-government has the right at any time before the elections to repeal its decision to nominate a particular person as candidate for deputy. This person is deprived of the status of candidate for deputy by the appropriate oblast, rayon, or city election commission. A political party, rayon or city council of people's deputies, or citizens' organ of self-government may submit a proposal to register a new candidate to the appropriate oblast, rayon, or city election commission before the time period for nominating candidates for deputy is up.

Registered candidates for deputy also lose their status if the political party which nominated them as candidates for deputy ceases to operate.

A candidate for deputy may at any time before the elections withdraw his candidacy. To do this, he petitions the appropriate oblast, rayon, or city election commission.

## **VI. Voter Rolls and Ballots**

### **Article 29. Compiling Voter Rolls**

The voter roll includes the names of citizens of the Republic of Uzbekistan who have turned 18 years of age by the day or on the day of the elections and live permanently or temporarily on the territory of this voting precinct at the moment the roll is compiled.

Each voter may be included in only one voter roll.

A voter roll is made up for each voting precinct by the precinct election commission and signed by its chairman and secretary. The precinct election commission may recruit representatives of the public to participate in the work to compile the roll.

Khokim's offices of rayons and cities keep records of voters and deliver information on voters who live in the corresponding territory needed to compile the voter rolls to the precinct election commissions.

Rolls of voters who are servicemen in military units as well as members of the families of servicemen and other voters, if they live in rayons where military units are deployed, are made up on the basis of data submitted by the commanders of the military units. Servicemen who live outside military units are included in the voter rolls based on the place of residence on general principles.

Voter rolls for voting precincts formed at sanatoriums, vacation lodges, and hospitals and other inpatient treatment institutions are made up on the basis of data submitted by the managers of these institutions (departments).

The surnames of the voters are indicated in the voter roll in a manner which is convenient for organizing the voting.

The roll includes the surname, name, and patronymic, date of birth, and address of each voter.

### **Article 30. Making Voter Rolls Available to Citizens**

Voter rolls are made universally available for inspection 15 days before the elections, and in voting precincts formed at sanatoriums, vacation lodges, and hospitals and other inpatient treatment institutions and in remote and not easily accessible rayons, 7 days before the elections. The precinct election commission notifies voters of the place and times for inspecting the roll.

Citizens are given the opportunity to inspect the voter roll at the premises of the precinct election commission.

### **Article 31. Disputing Voter Rolls**

Any citizen of the Republic of Uzbekistan may petition to the precinct election commission to correct a mistake or inaccuracy in the voter roll. Within 24 hours the precinct election commission must check the petition

and either eliminate the mistake or issue to the petitioner a statement explaining the reason for rejecting the petition.

The actions and decisions of an election commission may be appealed in court in the manner established by law.

### **Article 32. The Ballot**

Entered on the ballot in alphabetical order are the surnames, names, and patronymics of the candidates for deputy along with the year of birth, party affiliation, post occupied (type of job), and the organ which nominated him as candidate for deputy.

The ballot is printed in the state language and, by decision of the appropriate oblast, rayon, or city election commission, in the languages used by the majority of the population of the election district.

### **Article 33. Obtaining Ballots**

Precinct election commissions receive ballots from the district commissions no later than 3 days before the elections. The chairmen, or deputy chairmen or secretaries, of the corresponding district and precinct commissions confirm the issuance and receipt of the ballots with their signatures.

## **VII. Voting and Determination of the Results of the Elections**

### **Article 34. The Polling Place**

The voting is done in specially assigned spaces in which a sufficient number of booths or rooms for secret balloting must be equipped and ballot boxes have been set up. The ballot boxes are set up so that when the people voting approach them they must pass through the secret voting booths or rooms. No other political actions can be done at the polling place. The precinct election commission bears responsibility for setting up the polling places and keeping them in the necessary order.

### **Article 35. The Time and Place for Voting**

Voting is held on election day from 0700 to 2000 hours. The precinct election commission notifies the voters of the time and place for voting no later than 10 days before the elections.

At voting precincts formed in military units and at sanatoriums, vacation lodges, and hospitals and other inpatient treatment institutions, as well as in places where citizens are in remote and not easily accessible rayons, the precinct election commission may declare the voting over at any time, if all the voters included in the roll have voted.

### **Article 36. The Start of Voting**

On election day the polling place opens when at least two-thirds of the members of the precinct election commission are present. The chairman in the presence of the

members of the election commission seals the ballot box, distributes the ballots among the members of the election commission, and announces the start of voting. The total number of ballots is officially registered in a separate document.

#### **Article 37. Establishing the Voter's Identity**

When a voter comes to the polls to vote, he presents a document certifying his identity to a member of the precinct election commission and signs the voter roll. After that he is issued a ballot.

The surnames of the voters who for some reason are not included on the voter roll are included in appendices to the voter roll on the basis of a document certifying his identity, citizenship, and place of residence.

#### **Article 38. The Voting Procedure**

The ballot is filled out by the person voting in the booth or room for secret balloting. The presence of persons other than the person voting is prohibited when he is filling out the ballot. A voter who is unable to fill out the ballot on his own has a right to use his discretion and invite a person other than a member of the election commission into the booth or room.

During elections, the voter crosses out the surnames of the candidates on the ballot whom he is voting against.

The person voting drops the completed ballot into the ballot box.

A damaged ballot may be replaced if the voter requests. Damaged ballots are to be counted and canceled and stored separately.

A voter who is unable to be at the place of his residence on election day may request an absentee ballot from the precinct election commission at the place of his residence, make the decisions, and leave the completed absentee ballot in the sealed envelope of the election commission. When the absentee ballot is received, the voter is entered on the voter roll. The corresponding oblast, rayon, or city election commission determines the form of the absentee ballot.

In cases where certain voters cannot go to the polls to vote for health or other reasons, if these voters wish, the precinct election commission instructs members of the election commission to organize balloting at the place where these voters are.

#### **Article 39. Counting Votes at the Voting Precinct**

When the voting is over and before the ballot boxes are opened, the sealed envelopes with the absentee ballots are dropped in the ballot boxes in the presence of the members of the precinct commission. All the unused ballots are counted and canceled by the precinct election commission.

The ballot boxes are opened by the precinct election commission after the chairman of the commission has

declared the voting over. Opening the ballot boxes before the voting is over is prohibited.

The precinct election commission determines the total number of voters at the precinct and the number of voters who received ballots and absentee ballots.

The votes at the voting precinct are counted by the precinct election commission separately for each election district and each candidate for deputy in elections to the corresponding council of people's deputies.

On the basis of the ballots and absentee ballots which are in the ballot boxes, the commission (for each election district within the boundaries of the given voting precinct) determines the following:

- the total number of voters who took part in the voting;

- the number of votes cast for and the number of votes cast against each candidate for deputy;

- the number of ballots and absentee ballots declared invalid.

Votes for the names of citizens added by voters to ballots and absentee ballots are not counted.

Ballots and absentee ballots of the wrong type as well as ballots and absentee ballots in which the names of more than one candidate were left when voting are declared invalid. When it is questionable whether a ballot or absentee ballot is valid or not, the question is resolved by the precinct election commission through a vote.

The results of the vote count are reviewed at the meeting of the precinct election commission and recorded in the protocol compiled for each election district. The protocol is signed by the chairman, the deputy chairman, the secretary, and the other members of the commission and submitted to the appropriate district election commission.

#### **Article 40. Determining the Results of the Elections in the District**

On the basis of the protocols of the precinct election commissions, the district election commission determines the following:

- the total number of voters for the district;

- the number of voters who received ballots and absentee ballots;

- the number of voters who took part in the voting;

- the number of votes cast for and the number of votes cast against each candidate for deputy;

- the number of ballots and absentee ballots declared invalid.

The results of the elections for the district are determined at the meeting of the election commission and recorded in a protocol. The protocol is signed by the



chairman, the deputy chairman, the secretary, and the other members of the commission and is submitted to the appropriate oblast, rayon, or city election commission.

#### **Article 41. Determining the Results of the Elections of Deputies**

The corresponding oblast, rayon, and city election commission determines the following on the basis of the protocols of district election districts received:

- the total number of voters by oblast, rayon, and city;
- the number of voters who received ballots and absentee ballots;
- the number of voters who took part in the voting;
- the number of votes cast for and votes cast against each candidate for deputy;
- the number of ballots and absentee ballots declared invalid.

A candidate for deputy who in the elections received more than half the votes of voters who took part in the voting is considered elected.

Elections are declared not to have taken place if less than half the voters recorded on the voter rolls took part in them.

Elections overall for the oblast, rayon, or city or for individual districts or for individual voting precincts may be declared invalid because of violations permitted during the elections which influenced the results of the voting. The decision to declare the elections invalid is made by the appropriate oblast, rayon, or city election commission and may be appealed in court within 10 days from the day the results of the elections are published.

In the event elections for certain precincts are declared invalid by decision of the corresponding oblast, rayon, or city election commission, the results of the voting for these precincts are excluded from the overall results of the elections, under the condition that without them the elections as a whole may be declared to have taken place.

The appropriate oblast, rayon, or city election commission makes up a protocol on the results of the elections and makes the decision.

#### **Article 42. The Runoff**

If more than two candidates for deputy ran for an election district and none of them was elected, the district election commission makes the decision to hold a runoff in the district for the two candidates for deputy who received the largest numbers of votes and informs the corresponding oblast, rayon, and city election commission and district voters of this decision. The runoff is conducted within 2 weeks and the requirements of this Law are observed.

The candidate for deputy considered elected is the one who received the largest number of votes of voters who took part in the voting during the runoff in relation to the other candidate, given that more than half the voters recorded in the rolls took part in the voting and that the number of votes cast for this candidate exceeds the number of votes cast against him.

#### **Article 43. Repeat Elections**

Repeat elections are conducted in the following cases:

- a) if the elections for the election district are declared not to have taken place or invalid;
- b) if a runoff vote did not allow determination of the elected deputy;
- c) if no more than two candidates for deputy ran for the election district and neither one of them was elected;
- d) if the corresponding oblast, rayon, or city election commission refused to register deputies for the reason indicated in the third part of Article 45 of this Law.

Repeat elections are conducted by the district election commission at the instruction of the appropriate oblast, rayon, or city election district. And the appropriate oblast, rayon, or city election commission may make the decision that it is necessary for district and precinct election commissions consisting of new members to hold repeat elections. The voting is done at the same voting precincts and based on the voter rolls compiled for holding the main elections.

A person who was nominated and registered as a candidate for deputy while the main elections were being held may not be nominated as a candidate for deputy to that council of people's deputies during repeat elections in this and other districts.

Repeat elections are held within no more than a month after the main elections. The formation of election commissions, the registration of candidates for deputy, and other measures are conducted in the manner established by this Law.

#### **Article 44. Conducting Elections of Deputies To Replace Those Who Have Withdrawn**

In the event a particular council of people's deputies declares the authority of certain deputies invalid, or in the event the deputy is recalled or deputy authority is terminated early for other reasons, new elections are held in that election district within 2 months from the moment the deputy withdraws. The elections are set by that council of people's deputies no later than a month before they are to be held and are organized in compliance with the requirements of this Law. In this case a corresponding oblast, rayon, or city election commission is not formed. The district election commission performs its functions. The district election commission is formed 25 days and precinct election commissions are

formed 15 days before the elections. Registration of candidates for deputy ends 15 days before the elections.

In the event a deputy withdraws less than 6 months before the term of office of the corresponding oblast, rayon, or city council of people's deputies is over, elections of a new deputy to replace the one who withdrew cannot be held.

### VIII. Registration of Deputies and Publication of the Results of Elections

#### Article 45. Registration of Deputies

Based on the protocols of the district election commissions which it has received, the appropriate oblast, rayon, or city election commission registers the elected deputies and informs them of this.

Persons indicated in the second part of Article 23 of this Law who are elected deputies to a particular oblast, rayon, or city council of people's deputies must inform the corresponding oblast, rayon, or city election commission in writing that they are surrendering their duties which are incompatible with the status of deputy.

No candidates for deputy from a political party may be registered as deputies of a particular oblast, rayon, or city council of people's deputies if they received a total of less than 5 percent of the votes of all the voters of the corresponding oblast, rayon, or city which participated in the voting.

#### Article 46. Publication of the Results of the Elections of Deputies

The corresponding oblast, rayon, or city election commission publishes a report on the results of the elections to the oblast, rayon, or city council of people's deputies and a list of deputies elected within 10 days after the elections; the list is in alphabetical order and gives the surnames, names, and patronymics, year of birth, party affiliation, post occupied (type of job), place of work, place of residence, and the number and name of the election district.

### IX. Final Provisions

#### Article 47. Identity Documents and Badge of a Deputy

After the list of deputies to the corresponding council of people's deputies has been published in the press, the district election commission issues a certificate of his election to the deputy elected from the district.

After the authority of the deputy is confirmed by the appropriate council of people's deputies, the certificate of election as a deputy issued to him is replaced by an identity document of a deputy to the oblast, rayon, or city council of people's deputies. The deputy is issued a badge of the established type.

**Article 48. Expenditures related to making preparations for and conducting elections of oblast, rayon, and city councils of people's deputies are paid from the state capital of the Republic of Uzbekistan. Financing and other material support of candidates for deputy using other money is prohibited.**

Political parties, public associations, enterprises, institutions, organizations, and citizens of the Republic of Uzbekistan may voluntarily transfer their capital to conduct elections. This capital is accepted by oblast, rayon, and city election commissions for their use during the election campaign.

#### Article 49. Responsibility for Violating the Law on Elections to Oblast, Rayon, and City Councils of People's Deputies

Persons who use force, deceit, threat or another means to prevent voters from exercising their right to elect and be elected or conduct pre-election agitation, as well as members of election commissions, other officials, and representatives of political parties and citizens' organs of self-government who have forged election documents, violated the secrecy of voting, or allowed other violations of this Law bear responsibility in accordance with the laws of the Republic of Uzbekistan. Persons who published or in another way disseminated false information about a candidate for deputy are also brought to responsibility.

President of the Republic of Uzbekistan I. Karimov  
City of Tashkent 5 May 1994

#### Decree on Implementation

944K1452B Tashkent PRAVDA VOSTOKA in Russian  
26 May 94 p 4

[Text of Republic of Uzbekistan Supreme Soviet Decree "On Putting the Republic of Uzbekistan Law "On Elections to Oblast, Rayon, and City Councils of People's Deputies" Into Effect"]

[Text] The Republic of Uzbekistan Supreme Soviet decrees the following:

1. Put the Republic of Uzbekistan Law "On Elections to Oblast, Rayon, and City Councils of People's Deputies" into effect the day it is published.

2. Consider that the Republic of Uzbekistan Law of 28 October 1989 "On Elections of Deputies of Local Soviets of People's Deputies of the Republic of Uzbekistan" goes out of effect the day elections are set for oblast, rayon, and city councils of people's deputies of the new convocation.

Acting chairman of the Republic of Uzbekistan Supreme Soviet, E. Khalilov

City of Tashkent 5 May 1994

**Decree on Changes in Membership of Supreme Court**

944K1463A Tashkent PRAVDA VOSTOKA in Russian  
31 May 94 p 2

[Decree: "Decree of the Supreme Soviet of the Republic of Uzbekistan: 'Changes in the Makeup of the Supreme Court of the Republic of Uzbekistan'"]

[Text] In conformity with Articles 63 and 72 of Law of the Republic of Uzbekistan, entitled "Courts," the Supreme Soviet of the Republic of Uzbekistan decrees:

1. To elect the following as judges in the Supreme Court of the Republic of Uzbekistan:

—Gaybullayev, Zhurabay Usmankulovich;

—Ganizhonov, Mamadzhon;

—Masharipov, Madrakhim Nurmatovich;

—Irgunov, Abdumalik.

2. To consider to be discontinued the powers of the following judges of the Supreme Court of the Republic of Uzbekistan:

—Matashechova, Nataliya Viktorovna, for reasons of having left the confines of the Republic of Uzbekistan;

—Musurmonkulov, Nazarkosym Artykbayevich, for reasons of transfer to other work;

—Niyatov, Abdusattor, for reasons of death;

—Turginbayev, Abidzhon Turginbayevich, for reasons of transfer to other work.

[Signed] E. Khalilov, acting chairman of the Supreme Soviet of the Republic of Uzbekistan  
Tashkent, 6 May 1994

**Decree on Changes in Retail Prices for Fuel, Electricity; Tariffs on Passenger Service**

944K1463B Tashkent PRAVDA VOSTOKA in Russian  
31 May 94 pp 2

[Decree: "Decree of the Cabinet of Ministers of the Republic of Uzbekistan: 'Changes in the Retail Prices for

Fuel and Electricity Being Sold to the Population, and the Tariffs for Services in Passenger Transportation'"]

[Text] As a result of the increase in the prices for the petroleum and other fuel resources being delivered to the republic, and also for purposes of increasing the effectiveness of the use of energy resources and guaranteeing the stable operation of the branches of the national economy, the Cabinet of Ministers decrees:

1. To establish, effective 1 June 1994, maximum retail prices for fuel and energy resources and rates for the services of urban and suburban passenger transportation, in accordance with the appendix.

2. To preserve the currently effective benefits that are granted to individual categories of the population in conformity with decisions previously made by the Republic government.

3. Republic of Uzbekistan Ministry of Finance, the Council of Ministers of the Republic of Karakalpakstan, and the oblast administrations and the city of Tashkent, within a one-week period, are to approve and make known to all the interested ministries, departments, enterprises, and organizations the price lists containing the new retail prices and tariffs in conformity with the appendix to this decree.

4. Enterprises and organizations of all forms of ownership are to carry out, as of 1 June 1994, the re-evaluation of the remainders of coal and motor-vehicle gasoline, and to direct the total amounts of the additional evaluation to augmenting their own working funds.

5. To consider as being no longer in effect the decrees of the Republic of Uzbekistan Cabinet of Ministers, dated 27 January 1994, No. 45; and dated 29 April 1994, No. 226.

[Signed] A. Mutalov, prime minister of the Republic of Uzbekistan

Tashkent, 30 May 1994

**Appendix to the Cabinet of Ministers Decree**

| Maximum Retail Prices and Rates for Fuel, Energy, and Services of Urban and Suburban Passenger Transportation |                     |   |
|---|---------------------|---|
|   | Unit of measurement | Retail price (tariff) in som-coupons per unit |
| Natural gas   | 1000 cubic meters   | 3500  |
| Electrical energy   | kilowatt/hour       | 30  |
| Electrical energy provided to the population from apartment buildings equipped with electric stoves           | kilowatt/hour       | 15  |
| Motor fuel (average)  | liter               | 1000  |
| Coal (average)  | ton                 | 25,000  |

### Maximum Retail Prices and Rates for Fuel, Energy, and Services of Urban and Suburban Passenger Transportation (Continued)

|   | Unit of measurement   | Retail price (tariff) in som-coupons per unit |
|---|-----------------------|---|
| Hauling of passengers by urban transportation: motor bus, streetcar, trolleybus | 1 trip                | 100   |
| Tramway   | 1 trip                | 100   |
| Hauling of passengers by suburban motor buses                                   |                       |   |
| per kilometer of trip   | per kilometer of trip | 17  |
| per kilometer of trip   | per kilometer of trip | 25  |

### Decree on Changes in Retail Prices for Flour, Bread

44K1463C Tashkent PRAVDA VOSTOKA in Russian  
11 May 94 p. 2

[Excerpt: "Decree of the Cabinet of Ministers of the Republic of Uzbekistan: 'Changes in the Retail Prices for Flour and Bread'"]

[Text] As a result of the increase in the expenditures for purchasing, transporting, and processing grain, the Cabinet of Ministers decrees:

1. To establish, effective 1 June 1994, retail prices for flour at the average of 500 som-coupons and for bread at the average of 400 som-coupons per kilogram.

2. Republic of Uzbekistan Ministry of Finance is to make known to the interested ministries and departments the new prices for flour and bread, with a consideration of the variety of items being produced.

3. To consider to be no longer in effect decree of the Republic of Uzbekistan Cabinet of Ministers, dated 28 February 1994, No. 100.

[Signed] A. Mutalov, prime minister of the Republic of Uzbekistan

Tashkent, 30 May 1994

At the Republic of Uzbekistan Ministry of Finance, the Uzbeksavdo State Association, and Uzbekbirlashuv

Taking into consideration the continuing increase in the expenditures to purchase and transport food products from abroad and to produce and process the republic's own resources, as well as the need to protect the domestic

market and thwart attempts to ship food products illegally beyond the confines of the republic, the Uzbeksavdo State Association and Uzbekbirlashuv, jointly with the republic's Ministry of Finance, have decided to introduce, effective 1 June 1994, the following average retail prices for the basic food products, including those for which norms are applied:

—flour: 500 som-coupons per kilogram;

—bread (white, coarse, rye): 400 som-coupons.

In conformity with Cabinet of Ministers decree No. 360, as long ago as July 1993 the decision was made to release the prices for the basic food products. By that decision the Uzbeksavdo Association and the board of governors of Uzbekbirlashuv, jointly with the republic's Ministry of Finance, and proceeding from the current market condition and the actual expenditures for purchases, were instructed to establish flexible prices for a group of food products to which norms would be applied: vegetable oil, sugar, tea, and meat.

It must be noted that a considerable quantity of food products are brought into the republic from the so-called "near and far abroad." Moreover, all types of food products are purchased at world prices, only in exchange for freely convertible currency. For example, one ton of wheat on the world market costs \$130, which, recomputed at the official rate of exchange, is 500,000 som-coupons. Consequently, a kilogram of grain, not counting the cost of shipment, costs the state 500 som-coupons. Therefore, even with the new prices for bread and grain it is necessary to set aside from the state budget every month subsidies, totally more than 28 billion som-coupons.

It is also necessary to emphasize that the new prices for the basic food products in Uzbekistan, if they are recomputed at the exchange rate of the Russian ruble, prove to be lower than, for example, in Russia or Kyrgyzstan.

|       | Uzbekistan     |                   | Russia            | Kyrgyzstan |                   |
|-------|----------------|-------------------|-------------------|------------|-------------------|
|       | in som-coupons | in Russian rubles | in Russian rubles | in soms    | in Russian rubles |
| Flour | 400            | 191               | 532               | 1.88       | 283               |
| Bread | 500            | 238               | 443               | 1.47       | 222               |



As a result of the increase in the prices of petroleum and other fuel resources that are being delivered to the republic, and also for purposes of increasing the effectiveness of the use of energy resources and guaranteeing the

stable operation of the branches of the national economy, new retail prices are being introduced, effective 1 June 1994, for fuel and energy resources and rates for the services of urban and suburban passenger transportation:

|  | Unit of measurement   | Retail price (tariff) in som-coupons per unit |
|--|-----------------------|---|
| Natural gas  | 1000 cubic meters     | 3500  |
| Electrical energy  | kilowatt/hour         | 30  |
| Electrical energy provided to the population for apartment buildings equipped with electric stoves | kilowatt/hour         | 15  |
| Motor-vehicle gasoline, average  | liter                 | 1000  |
| Coal, average  | ton                   | 25,000  |
| Hauling of passengers by urban transportation (motor bus, subway, streetcar, trolleybus)           | 1 trip                | 100   |
| Hauling of passengers by suburban motor buses  |                       |   |
| general type   | per kilometer of trip | 17  |
| with upholstered seats   | per kilometer of trip | 25  |

In addition, the state sets aside considerable subsidies for all the types of energy resources and transportation services that were indicated above. For example, with a consideration of the new prices and tariffs, in terms of one month's expenditures, urban passenger transportation will require subsidies each month of no less than one billion som-coupons; energy producers, 0.7 billion; gas producers, 8.6 billion; and coal producers, 3.6 billion som-coupons. Moreover, in Kazakhstan the natural gas that is sold to the population is more expensive than in our republic (in terms of Russian rubles) by a factor of 19.2; and in Kyrgyzstan, by a factor of 23.7.

For purposes of preserving social guarantees for the population, the republic's government regularly reconsiders and increases wages, pensions, scholarships, and other payments. By the most recent edict of the President, effective 1 June 1994 the minimum wages and minimum work pensions are established, respectively, at 70,000 and 75,000 som-coupons. Wages in organizations financed by the budget and scholarships paid to students at institutions of higher learning, technicums, and occupational-trade schools have been increased by a factor of 1.5.

#### Edict on 1 June Increase in Wages, Pensions, Stipends

944K1458A Tashkent PRAVDA VOSTOKA in Russian  
28 May 94 p 1

[Edict of the President of the Republic of Uzbekistan: "On Increasing the Amounts of Wages, Pensions and Stipends as of 1 June 1994," signed by Republic of Uzbekistan President I. Karimov on 26 May 1994 in Tashkent]

[Text] 1. It shall be established that as of 1 June 1994, on the territory of the Republic of Uzbekistan:

the minimal amount of wages shall be 70,000 sum-koupons per month, increasing the average wage by 1.5 times;

the nontaxable minimum income of citizens shall be in the amount of 70,000 sum-koupons per month;

the minimal amount of the labor pension shall be 75,000 sum-koupons per month, increasing the amounts of all types of pensions currently in effect by an average of 1.5 times.

2. As of 1 June 1994, the stipends for students at VUZes [institutions of higher education], tekhnikums and vocational-technical schools shall be increased by an average of 1.5 times.

3. The ministries and departments, the Council of Ministers of the Republic of Karakalpakstan, the khokims of the oblasts and the city of Tashkent, the organizations and institutions financed from the budget, and the Ministry of Social Provision of the Republic of Uzbekistan shall provide for the timely recomputation of the amount of pensions, stipends and salaries of workers in accordance with the sections of the unified wage rate schedule.

4. Expenditures associated with increasing the wages of workers at budget institutions and organizations, pensions and stipends shall be paid at the expense of the republic state budget and the social insurance fund.

5. It shall be recommended that cost-accounting enterprises and organizations, regardless of their form of ownership, shall implement an increase in the labor wage in accordance with the present edict by means of finding their own income, and in the case of its temporary shortage—by means of special-purpose credits granted by banking institutions.

6. Control over the fulfillment of the present edict is placed upon the Cabinet of Ministers of the Republic of Uzbekistan.

[Signed] I. Karimov  
City of Tashkent  
26 May 1994

#### **Edict on Value Added Taxation Decrease**

944K1458B Tashkent PRAVDA VOSTOKA in Russian  
28 May 94 p 1

[Edict of the President of the Republic of Uzbekistan: "On Reduction of the Rate of the Value-Added Tax," signed by Uzbekistan Republic President I. Karimov on 26 May 1994 in the city of Tashkent]

[Text] For purposes of creating the necessary conditions for increasing wages, the cost-accounting enterprises and organizations of the republic, regardless of their forms of ownership, shall:

1. Recognize the expediency of reducing the rate of the value-added tax from 25 to 20 percent, effective 1 July 1994.

The Cabinet of Ministers shall submit to the Supreme Soviet of the Republic of Uzbekistan the proposal on introducing the changes into the effective legislative statutes, in accordance with the established procedure.

2. Point 7 of the edict of the President of the Republic of Uzbekistan dated 13 September 1993, No. 648, shall be considered no longer in effect.

[Signed] President of the Republic of Uzbekistan I. KARIMOV  
City of Tashkent  
26 May 1994

#### **Law on Amendments to Law on Taxation of Enterprises, Associations, Organizations**

944K1458C Tashkent PRAVDA VOSTOKA in Russian  
28 May 94 p 3

[Republic of Uzbekistan Law: "On Introducing Changes and Amendments to the Republic of Uzbekistan Law, 'On Taxes From Enterprises, Associations and Organizations,'" signed by Republic of Uzbekistan President I. Karimov on 6 May 1994 in the city of Tashkent]

[Text] The Republic of Uzbekistan Supreme Soviet hereby decrees:

To introduce the following changes and amendments to the Republic of Uzbekistan law of 15 February 1991, "On Taxes From Enterprises, Associations and Organizations (Vedomosti Republic of Uzbekistan Supreme Soviet, 1991, No. 4, p 86; No. 8, p 191; 1992, No. 4, p 177; No. 9, p 337; 1993, No. 1, p 20; No. 6, p 240):

1. In the third paragraph of the preamble, the words "tax on revenues in foreign currency" shall be deleted.

2. Article 2 shall be deleted.

3. Article 6 shall be amended with Point 7 of the following content:

"7) kolkhozes [collective farms], sovkhozes [soviet farms], dekhan farms and other agricultural enterprises by income from agricultural activity—at a rate of 3 percent).

4. Article 12 shall be amended with a paragraph and part two of the following content:

"of income directed at increasing the working capital.

The overall sum of the income tax, computed with consideration for the granted tax benefits in accordance with the given article, should be no less than 50 percent of the computed sum of the tax computed without consideration of benefits."

5. In Article 19:

Point 27 of part one shall be worded as follows:

"27) products and services of enterprises of the societies of the Red Crescent of the Republic of Uzbekistan and "Yedgorlik," the Union of Theatrical Actors of Uzbekistan, the international charitable fund "Soglom avlod uchun," under the condition that the liberated funds are used for performing the charter tasks of the society, Union and Fund"

part one shall be amended with points 35 and 36 of the following content:

"35) services for storing motor vehicles at parking facilities of the Voluntary Society of Automobile Fanciers of Uzbekistan;

36) services on teaching the state language and business correspondence in the state language."

6. Chapter IV (1) shall be deleted.

7. In Article 30, the number "8" shall be replaced with the number "15".

8. Part one of Article 33 shall be worded as follows:

"The object of taxation on the property of enterprises is the value of the fixed production capital."

9. In the second paragraph of point 1, Article 41, the numbers "0, 5" shall be replaced with the numbers "0, 2".

[Signed] Republic of Uzbekistan President I. KARIMOV

City of Tashkent  
6 May 1994

### **Economic Environment for Foreign Investors 'Improving'**

944K1464A Tashkent NARODNOYE SLOVO  
in Russian 17 May 94 p 2

[Article by A. Alimov, department chief, Republic of Uzbekistan Goskomprognostat [State Committee for Statistical Forecasting], and E. Salimov, responsible organizer, Republic of Uzbekistan Supreme Soviet Committee for Economic Reform, Budgetary Policy, and Local Self-Government, under rubric "Facets of Reforms": "Uzbekistan Is Improving the Climate for Investors"]

[Text] At the present time the economic reforms in Uzbekistan are entering a new stage, which is typified by the expansion of the scope of market reforms; a substantial increase in the role of economic regulators; the creation of a competitive environment and a resource-saving economic mechanism; and the intensification of the selectivity of the state support of the material-production branches and the specific addressing of the population's social protection.

Steps are being implemented to stabilize and assure the further guaranteeing of the increase in production, including a consideration of the dynamic attraction of foreign capital; and to reinforce the financial system and monetary circulation on the basis of the introduction of a national monetary unit. The republic has begun to carry out structural reforms aimed at overcoming the raw-materials nature of the economy and at increasing the share of finished, competitive output produced.

The work in all sectors of the economic reform received a new impetus after the issuance of the January Edict of the President of the Republic of Uzbekistan, entitled "Measures to Achieve the Further Deepening of the Economic Reforms, to Guarantee the Protection of Private Property, and to Develop Entrepreneurship." The enactment of that edict is the latest in a series of crucial steps on the path of carrying out socioeconomic reforms. Indisputably, that document will promote the further rise in Uzbekistan's prestige on the international scene and the reinforcing of its economic and political sovereignty. Finally, that document has become new testimony to the fact that the young state is faithful to the course of the gradual implementation of reforms. Thanks to its unique path—the correct determination of the rules and forms of the transition to a market economy—and thanks to the gradual formation of market relations, last year and in the first quarter of the current year Uzbekistan managed to prevent a sharp reduction in the economic indicators and achieved definite success in producing manufactured output.

In addition to the previously enacted laws governing foreign-economic activity, foreign investments, property, entrepreneurship, banking activity, etc., this edict has been called upon to effect a fundamental change in the current economic situation in the country.

The reform program is in acute need of resources, highly trained specialists, and the latest technologies. There is not a single branch that does not require radical modernization and major investments. Our country is currently faced with the serious problems not only of "our daily bread," but also of mass computerization, the creation of a technical production base, education and public health, modern means of communication, ecological safety, new energy sources, and many, many other ones. It is obvious that no one other than ourselves is capable of resolving these vitally important tasks and of making a breakthrough.

But there is something else that is true: history has given us such a short period of time that we cannot disregard even one chance out of a thousand. This chance—and it is no small one—offers us time. We are discussing the truly massive and purposeful attraction of foreign capital to our economy.

Under the conditions that have developed, the broad attraction of foreign investments would provide that gain in time that is so necessary for us. Experience that would be beneficial here is the Russian experience of the 1920's concessions and especially the present-day practice of transnational business, and of foreign entrepreneurship in the world's developed and developing countries.

The situation cannot be summarized simply as the obtaining from without of the resources and technologies that we lack, although, in and of itself, that alone would accelerate the process of getting our country out of its present situation. In these actions one can discern one of the incentives that facilitate the difficult process of gradually assimilating the market mechanisms of management, of creating for that purpose the necessary competitive basis of an antimonopoly mechanism, and, in the long view, an open economy.

As a truly inexhaustible market for the investment of capital, the Republic of Uzbekistan currently is carrying out consistently an open foreign-economic policy that is aimed at the successful solution of the problem of integrating its economy into the world economy.

The foreign-economic ties that are based on the active use of the advantages of the international division of labor must become an important factor in increasing the national income. The success of resolving the problem of including the republic in world economic space requires the carrying out of major, fundamental reforms, the diversification of the production structure, and the qualitative development of all forms and types of foreign-economic activity.

During the past two years the foreign-economic reform in the republic moved noticeably ahead, primarily in its legal and organizational aspects. Practically speaking, all the necessary republic-level institutional structures have been formed. The Ministry of Foreign Economic Ties; the National Bank of Foreign-Economic Activity; and

the customs services are operating successfully. Corresponding functional subdivisions are operating in the republic's government, ministries and departments, and local agencies of self-government. A republic-wide international-trade complex is being created.

A base of normative law has been created to permit enterprises to go independently into the foreign market. That base encourages the creation of new economic-organizational structures, including enterprises with foreign investments, and provides reliable guarantees for the activity of the foreign investors on the republic's territory in conformity with international norms and rules.

At the same time, the attraction of foreign investors remains one of the problems in the resolving of which our republic has been encountering definite difficulties.

As has been indicated by an analysis of the activity of joint ventures, there still exist problems and tasks that must be resolved by means of state regulation. For example, most of the SI [joint ventures] (more than 70 percent) are situated in the cities of Tashkent and Samarkand. In addition, enterprises with foreign investments that are very capital-intensive and that have social importance are being created basically only on the initiative of the republic's government in the fuel-and-energy, metallurgical, chemical, machine-building, and cotton-processing branches, which from the beginning have been oriented on local raw materials and the production of output to replace imported items. Enterprises that can serve as an example are the joint ventures that were created with such well-known companies as Deu Corporation (South Korea), Rank Xerox (Great Britain), Bursel (Turkey), Buller (Switzerland), Newmont (United States), and a number of others.

The course aimed at increasing the activity rate of attracting foreign investments and at increasing the effectiveness of the activity of the joint ventures raises, for the republic's state agencies, a number of qualitatively new tasks that are being resolved on the basis of chiefly economic methods of management under conditions of the transitional period. This is a guarantee to private entrepreneurship and to the successful formation and stabilization of market relations.

Foreign investors in the republic are granted broad opportunities, including the right to purchase on a competitive basis, for investment purposes, production areas, building, equipment, and housing, and to take out long-term leases on land. In addition, the question of expanding foreign capital in the privatization program is being worked out.

In order to provide the necessary financial and economic guarantees for foreign investors, a state company for insuring investments—Uzbekinvest—is being created under the Ministry of Finance, and some of the republic's gold-currency resources are being transferred to it.

A very important incentive factor is preferential taxation. In conformity with the legislation that is in effect,

provision is made for freeing enterprises with foreign investments from payment of income tax for a period of two years after obtaining the first profit. The President's edict has freed from taxation that part of the income of enterprises with the participation of foreign capital which is reinvested into the expansion of production, technological modernization, and the implementation of social programs. The rate of the income tax of a foreign investor that is being transferred abroad has been reduced to 10 percent. Joint ventures that specialize in the production of producer goods, in which the share of foreign capital in the statutory fund exceeds 50 percent, are freed for a period of five years, starting with the moment of registration, from mandatory sale of part of their currency proceeds to the Central Bank.

Something that is becoming an important factor is the developing system of international treaties that regulate both the general principles of commercial and economic activity and the principles of investment cooperation. Agreements of incentive and reciprocal protection of investments have been concluded with West Germany, Turkey, South Korea, Israel, Japan, Malaysia, and India.

The question arises: why—given the stable political and economic situation in the republic; the consistency in the actions of the Supreme Soviet and the President of the Republic of Uzbekistan in guaranteeing the legislative basis for protecting the investments; the very rich natural and raw-materials potential; and the favorable climatic conditions—aren't foreign investors rushing into Uzbekistan?

Without a doubt, there are both subjective and objective reasons. We are taking our first steps, without having any prior experience; we are being hindered by inertia in thought processes; the bureaucracy; etc. But this is a market. No one is waiting for anyone here. There is no time here to seek the reasons, whether objective or subjective. We must move ahead. We must succeed and resolve issues.

A very important question that requires urgent development is the creation of conditions that guarantee an assurance to foreign investors of capital that the projects to be carried out by them will be profitable. In this situation we are talking not only about specific terms that guarantee the foreign capital against political risks, against a change in legislation, against nationalization and compulsory requisition with the cessation of investment activity, but also about the creation of completely valid market space, in which the joint ventures, foreign companies, and their branches would have the opportunity to function under conditions of free entrepreneurship that are natural for them.

The new law, entitled "Foreign Investments and Guarantees for the Activity of Foreign Investors," which was approved by the recent session of the Republic of Uzbekistan Supreme Soviet, is, as it were, a logical



continuation, supplement, and further development of the Law entitled "Foreign Investments in the Republic of Uzbekistan," with a consideration of the changed attitudes toward the problem of foreign investments under the new conditions.

In the final analysis, a decisive role is played specifically by the legislation that regulates the activity of foreign investors and that must necessarily guarantee them, in addition to all the other favorable circumstances, economic incentives. We realize that without such incentives it is difficult to count on any significant influx of foreign capital, especially under the present-day conditions, when the countries that are experiencing an acute need for foreign financing are actually competing among themselves in creating a more favorable investment climate for foreign companies.

The law entitled "Foreign Investments and Guarantees for the Activity of Foreign Investors" defines the overall legal, organizational, economic, and social conditions of investment activity on the territory of the Republic of Uzbekistan. It is aimed at guaranteeing favorable conditions for national and foreign subjects of investment activity, and at guaranteeing the state protection of the rights, interests, ownership, and the industrial intellectual property of the subjects of investment activity, irrespective of the forms of ownership, for purposes of the effective development of the republic's socially oriented market economy, as well as for purposes of integrating Uzbekistan's economy into the worldwide economic system.

This law defines the state's foreign and domestic investment policy, which is aimed at creating financial markets, output (commodities and services) markets, and a labor market, and at types of investments, and a procedure for carrying out investment activity depending upon the investment regulations that are in effect on the territory of Uzbekistan; and also defines the forms and procedure for the state's coordination and monitoring of the carrying out of investment activity.

The law provides a new definition of enterprises with foreign investments. Uninit the size of the international practice (the definition of the International Currency Fund), as well as bilateral agreements of the Republic of Uzbekistan concerning the procedure for excluding dual taxation, the law stipulates a low limit in the share of foreign participation in enterprises—no less than 10 percent of the holding (stock or shares), which limit falls within the jurisdiction of the preferential taxation situation stipulated by legislation for enterprises with foreign investments.

It is necessary in the republic to strive for precision, stability, and consistency in the regulation of investments. The formation of this regulation must proceed in the direction of unifying the efforts in the activity of the domestic and foreign investors in Uzbekistan. In worldwide practice this is characterized as "natural regulation," the sense of which lies in a nondiscriminatory

attitude toward foreign investors. The task consists in creating equal regulation for domestic and foreign investors in our republic.

In addition, during the transitional period at the initial stages of the reform it is necessary to grant foreign investors definite benefits that are aimed at reducing the risk of losing their capital. In particular, the article indicated emphasizes that, for foreign investors who are being directed into the priority branches of the economy and into the regions, the legislation of the Republic of Uzbekistan can establish additional benefits. And Article 11 establishes a procedure in accordance with which the tax system that was in effect at the moment of concluding the contract will be preserved for no less than ten years.

The experience of recent years and worldwide practice indicate that for the broad attraction of foreign capital it is necessary first of all to provide economic guarantees.

A way out is seen in the creation of a system for insuring foreign investments in our republic. The use for this purpose of only foreign insurance companies will not make it possible to resolve the problem completely. First, the insurance itself will be rather expensive. Secondly, and this is more important, the scope of attraction of investments will be extremely limited: the insurance companies will limit the size of the investments in a single "client," and the investors will not know the guarantees as being complete, inasmuch as, in the event of actual loss of capital in Uzbekistan, that can cause a definite overload in the foreign insurance system.

Therefore what would seem to most promising is the broad attraction for insuring investments of a definite part of the state gold-currency reserves and the creation of a National Insurance Company, as well as, together with the world's leading insurance companies, an International Insurance Fund.

On the whole, the law has been called upon to provide a qualitative turning away from measures of a liberalizing nature and bans toward a legal policy of implementation of admissible liberalization and to the dynamic attraction of foreign capital into the republic. The attraction of foreign investments to Uzbekistan is proceeding along the path of creating an open market economy, and consequently, an effective one.

### Gold Mining Industry Becoming Environmentally Conscious

944K1464B Tashkent NARODNOYE SLOVO  
in Russian 18 May 94 p 3

[Article by V. Kirchev, member of the Uzbekistan Journalists Union, under rubric "Nature and the Environment: 'More Precious Than Gold: or, How To Build Healthy Relationships Between the Branch That Extracts Precious Metals and the Environment'"]

[Text]

### World Money Is Being Extracted From the Depths of the Earth

Gold. The first of the metals that were discovered by man. There is a film of mystery over this word. Possibly because, in the category of raw materials created by nature, it has occupied a special place. Nowhere else in the world has anyone found another product (with the same chemical and physical properties) that could be as suitable for the role of universal equivalent, as a single gauge of values. Incidentally, all this is well known.

Our Republic during the Soviet era was in the second or third place in the Union with respect to the amount of the currency metal that was being extracted. That, to a rather large degree, determined our Republic's weight and role.

Then independence came. And it brought with it new problems. It is well known that foreign investments can help to build an economically strong country. We have political stability and civil peace. For a foreign investor these are very important factors. But he would prefer to invest his capital and provide credit if he is also given the guarantee that his capital is backed up by currency gold.

Nature has bestowed on us abundant gold-bearing ore. "Uzbekistan occupies eighth place in the world with regard to the overall volume of gold production and fifth place with regard to production per capita of population," Republic President I. A. Karimov said in his statement at the 4th Session of the Forum-Fund International Economic Organization in Switzerland in June 1993. "Thirty deposits have been discovered in the country, and their total reserves exceed 4000 tons... The quality of Uzbek gold corresponds to the highest world standards and, over a 20-year period, no claims were made against it. During the past two years it has been awarded three international quality prizes."

The extraction of gold and other precious and nonferrous metals is primarily a mining process. The ore specialists have been aided by science and by the technology with which Uzbekistan's mining industry has been abundantly equipped. The basis of the gold-mining branch is made up of the mines with shafts, quarries, and concentration plants. Their output is industrial concentrate with a large content of precious metals, from which high-grade gold and silver are produced at mining and metallurgical combines (Navoi and Almalyk).

### Happy Birthday, Association!

After the well-known 21 January 1994 edict of the Republic president, the State Committee for Precious Metals became the Association for Mining Gold and Processing Diamonds. Its short name is Uzalmazzoloto. At a meeting of the founders in April, the chairman of the association's board was elected. That chairman is 46-year-old Shavkat Nazhimov, who previously headed the state committee. He began his career in the gold-mining industry as a foreman at a concentration plant.

Our leading, strategic branches are managed by a firm state hand. Acting as the chief state instrument for management in the gold-mining industry are the fixed prices that are established for precious metals. The world price of one gram of gold today is U.S. \$12.

Sh. Nazhimov says, "The state pays us only part of this. We take an attentive attitude toward this temporarily enforced measure: times are difficult for the Republic and it is necessary to provide for the social program."

The higher administrative levels are considering the question of increasing the payment for the gold-mining output, but, as they themselves feel, the size of that payment must outstrip the inflation level. Otherwise it will be impossible to pay back the production expenses or to replenish the mining capacities that are being depleted. Because the mining of precious metals must increase.

Mining is the "eating up" of the mineral resources. It is active contact with the environment.

It is no secret that in previous years we took the attitude toward the protection of the environment as being of secondary importance. Today the situation is changing. We have come to the realization that technology that is ecological tested or that is free of waste products (in almost every branch) means that that technology is also the most economical one in the final analysis. In the mining industry, destruction and waste products are unavoidable. If a ton of ore contains 3-5 grams of gold (and this is considered to be rather good content), then it is easy to imagine what mountains of ore have to be processed in order to extract from that ore hundreds of tons of the precious metal.

Today science, technology, and the environmental protection services are struggling to resolve the problem of these tailings—artificial mountains. A large amount of money is being expended. We shall discuss a little while later how this should be done from the start in the best way—both for the environment and for the economy.

Have you noticed that the association's name includes the word "diamond"? Didn't it surprise you to learn that we have this valuable stone here, although its homeland is the Urals and Yakutia?

This "raw material" for the manufacture of diamonds is delivered to the Almaz Plant in Burchimda by the Russian Committee for Precious Metals. The hands of the local expert craftspeople who at one time studied in related enterprises manufacture two types of precious stones—17-faceted and 57-faceted diamonds. The finished articles—and the largest weigh as much as one carat, 0.2 grams—are sent back to where the raw material came from.

Plant director Rustoy Ziyavidinov discusses people very warmly: "These expert craftspeople, with astonishing hands love their work very much." First the diamonds go to the markers and cutters. By necessity in

discern in the small shining stone a future diamond, and to "design" it correctly. Subsequently they go to the grinders and polishers. It is delicate work. The work ends with the facet-cutter.

There is also a shop for processing **fianity**—semiprecious stones from the Urals. In addition, the plant manufactures gold-plated teaspoons, engagement rings, sewn garments, sets of kitchen knives...

The shops at the Almaz Plant have been set up in the repaired facilities of the former mining and concentration combine which, during the war years and subsequently, used to mine arsenic. Tailings that have accumulated are also situated on the territory of the form bismuth Ustasaray Mine. There are a lot of tailings. For a long time ecologists have been demanding that they be carefully buried and rendered harmless, inasmuch as the poisonous substances are located on slopes above the Charvak Reservoir. Both the plant and association administrators understand the seriousness of this problem and intend to resolve it by the end of the current year.

The past frequently looks at us with loathsome ecological sores. They were created by us. And we are also the ones who should heal them.

#### **The Ecology and the Economy Should Go Hand in Hand**

People's present needs must be satisfied without any detriment to future generations. That idea arose under the influence primarily of ecology. Ecologists attempt to correct the errors of the past and to look into the future. Economists, as a rule, are interested in increasing the immediate profits. Bringing them closer together contains the key to resolving many problems.

Does there exist in the gold mining branch any experience when ecological priorities guarantee the achievement of high economic results? I was told at the association that for a long time we have known about the existence of this kind of experience, but we were not able to acquaint ourselves with it first-hand until we flew last year to the United States.

S. Isazhimov headed the delegation, which also included N. Namazayev, the leader of the association's joint group; T. Igrashev, chairman of the oblast environmental protection committee; and A. Yemelyanov, chief geologist at the Angren Mine. They visited a private gold mining company. It is a small one that produces 1.8 kilograms of gold a year.

Our specialists saw progressive technology for extracting the precious metal from the ore. They saw a strong and well-organized ecological service, the precise organization of labor, and high working efficiency. In a couple of days all this was perceived as something completely obvious. But there were things that made a staggering impression.

The mountains being shown pleasant-looking slopes, hills covered with grass and little trees, and being told that

just a few months ago there had been a quarry here, where operations with explosives used to be carried out and where a road used to wind over the slopes... But where are even the slightest traces of this? There is nothing. All one can see is the primordial natural beauty, recreated by man with surprising diligence and with love. Even the little trees had returned to the places where they were born. It was fantastic!

What is this, then? The greatest patriotism? The strict and respectful observance of environmental protection laws? Or is it simply something that is economically beneficial for them? Apparently it is all of these things, taken together. They have fused together and given rise to standards of everyday existence.

Of course we shall not idealize everything that our people saw in America. That country also has a large number of ecological problems. But, objectively speaking, the people there were earlier in recognizing the seriousness of those problems and began to engage seriously in resolving them.

The second thing that could not fail to surprise our delegation was the poverty of the gold-bearing ores from which their colleagues extract the precious metal. Half a gram in a ton of ore? In our country that is the same amount of the precious metal that exists in the tailings.

One gram of gold costs the company \$8. It sells the gold to the state at \$12 (the world price). The remaining \$4 are completely sufficient for reproduction, for new technology, and, of course, for providing the people with a good life. And necessarily one dollar out of the \$4 will go into the protection of the environment. That's a lavish amount! We spend only a tiny fraction of that amount for those purposes.

The association—this new structure—will have to assimilate qualitatively new steps in environmental protection work. It must do so. Proceeding along this road is difficult, because the past has left us a "rich inheritance." Almost 15 million tons of tailings. In addition, more than 50 million cubic meters of rock overburden have accumulated. Almost 1700 hectares of land has been destroyed in the mountainous and foothill regions. It will be necessary to recultivate several quarries.

But, no, everything is not really that gloomy. Interesting experience also exists at the Angren Gold Mine, where the best ecological results have been achieved and where the output produced is cheaper than anywhere else.

Last year the concentration plant that is situated here held a housewarming party on the occasion of the introduction of ecologically effective and highly productive equipment. The people at the enterprise have attempted to do the maximum to assure that no more ecological problems will develop in the future. And the intention is that that principle, which is based on the

improvement of the technology and of the environmental protection service, will be introduced everywhere at the association's enterprises. It is for these purposes that a program for the ecological rejuvenation and technical improvement of the enterprises by the year 1997 has been prepared. It is planned to improve the process of secondary extraction of gold and silver from substandard ores and overburden, and that means additional kilograms and tons of precious metals. It is also planned to obtain building materials (crushed rock, sand, silicate and clay bricks) from waste products, and also to carry out secondary extraction of side-produced nonferrous metals (lead, copper, zinc). Certain quarries and depleted deposits will be sealed up.

#### Prospectors Continue To Be Esteemed

Whatever delays and capabilities of scientific-technical progress, to put our hopes on or count on, a good result in the future inevitably depends upon people's skill, knowledge, trustworthiness, and devotion.

It could be said there continue to be a rather large number of people who have remained true to the tradition of primitive handicraft labor. They are the prospectors. One should not think that these are only amateur miners with a pick and shovel. Their strong personality, maneuverability, and sometimes also their contacts, afford a considerable quantity of metal at a price, with small volumes of gold reserves. Life is difficult for them. But the gold that they mine is cheaper than the type.

For many years a certain S. Bondarenko headed the "Sovetskoye Zoloto" Cooperative. He died two years ago. His successor elected as its leader S. Aksenov, a smart miner.

What is performed by the cooperative members is today performed with new force under conditions when the provision of the material-technical support of major mining operations is ever complicated. And those cooperatives continue to be successfully engaging in the mining not only of gold but also of salt, marble, and coal.

It is important to be good and hard. It is applicable to people in different spheres who put their heart and soul into their work. Consequently, are talking about gold miners. This tradition has grown many expert workers and highly qualified specialists who deserve to have their names known. These include N. Karabayev and B. Dekin—crew leader of the Kuybyshevsk Mine; S. Khudaybergenov, crew leader of the Kuybyshevsk Mine; A. Mirzayev, chief of the enterprise of Mining Factors; N. Sannibayev, crew leader of the Zhetysay Mine; and many others.

When more and more people like this, society will be richer and there will be more of all kinds of valuables, including of course gold.

#### Joint Ventures Increasing In Southern Portion of Republic

944K1462A Tashkent PR 11 D 1 VOSTOKA in Russian  
31 May 94 p 2

[Article by V. Neyburg: "Joint Ventures in Economy of Southern Part of Republic"]

[Text] As the Republic of Uzbekistan enters the broad international arena, foreign entrepreneurs have begun showing great interest in the economy of the southern part of the republic. Almost 50 joint ventures are now operating in Surkhandarya Oblast.

One of them is at the Namuna Kolkhoz, which is not far from the oblast capital. The local confectionery factory that an Afghan firm is helping establish and operate produces products of excellent quality.

A chain of stores selling food products to the public has been opened through the joint efforts of an Iranian export-import firm under the Buned Foundation and the Surkhandarya firm Turon. This same route has been taken in Altynsaye, renowned for its vineyards. Uzbek and American businessmen have set up a winery there that will produce and bottle 1 million decaliters annually.

A tannery is being built in Denau in conjunction with Finnish entrepreneurs. A medicine plant at the Surkhan factory is also under construction. The latter project is being carried out in conjunction with an Indian firm.

Joint enterprises are now producing a very broad mix of goods for the consumer market: knitwear, shoes, furniture, and much more. Even more goods will be produced in the future, as joint ventures are currently being established with firms from China, Spain, France, and other countries. Special attention is being devoted to restoring business ties with the Commonwealth countries. One confirmation of this is the construction in Termez, in conjunction with Russia's Radiozavod Production Association in the city of Aleksandrovsk, of an enterprise that will produce black-and-white and color Rekord televisions.

#### REGIONAL AFFAIRS

##### Cooperation Among Central Asian Republics in Energy Sphere Viewed

944K1462B Tashkent PR 11 D 1 VOSTOKA in Russian  
31 May 94 p 2

[Report on interview with Erken Anafin, Kazakhstan deputy minister of energy and fuel resources, by N. Shulepina: "Energy Systems and Gas Pipelines Are Indivisible"]

[Text] Beating politicians, energy officials were first to reach agreement on creating an integrated energy space, which they did two years ago. They serve the Greater



**Central Asian Energy Ring.** A joint dispatching administration in Tashkent handles operations—determining station loads, operating modes, and maintenance schedules. It is subordinate to a council of energy industry officials of the region's republics, who meet to agree on who will produce how much and who will buy it. An agreement has also been reached on cooperation between gas industry officials.

**How are the republics building their relations in the highly complex fuel and energy complex today? A PRAVDA VOSTOKA correspondent put this question to Erken Anafin, Kazakhstan's deputy minister of energy and fuel resources.**

We get 600 million kilowatt-hours of Uzbek electricity annually. More than 3 billion more kilowatt-hours of Turkmenian and Kyrgyz electricity are supplied to Kazakhstan via Uzbekistan. For example, Uzbekistan and Turkmenistan have energy surpluses, while Kazakhstan has a shortage in winter. And so our colleagues help us out. We had a difficult situation on our hands in the spring of this year as well. The Dzhambyl hydroelectric station was operating a single power unit, while five others were idled on account of fuel problems. We bought Uzbek gas on credit, as there was no fuel oil since we had not received petroleum from Russia.

The Kzyl-Orda Heat and Power Station is powered by Angrei coal. And another payment problem arose. Energy was cheap in Kazakhstan until recently, and so the industry operated at a loss. The tenge dropped in value, and our partners lacked hard currency too. And so we agreed to keep our mutual accounts in dollars. But when it came time to settle, we had nothing with which to pay.

We owe Uzbekistan \$98 million for electricity and gas. The Uzbek side's debt to us is only one-tenth of that. It was a tough situation. We started looking for solutions. And we took drastic measures. They were economically warranted and fully in keeping with the spirit of a market economy. We raised electricity prices twice in spring, so that the prices were comparable to production costs.

The gas situation was also resolved in a market spirit. We cut off the gas to those who had not paid. We cut consumption to 40 percent. Is that a little or a lot? We received 6.2 billion cubic meters of gas from Uzbekistan via the Gazli-Chimkent gas pipeline last year. This year we have ordered 4.2 billion, and we are not even using all of that. We took 1.3 billion in the first four months, but paid for 400 million. The Uzbek side took an understanding view of our situation, and said: Take what you need within the agreed-upon amounts. But we squeezed our enterprises.

We are in a difficult transitional period. There is no longer any rigid state regulation in Kazakhstan. As an experiment we are introducing the use of bills of exchange to settle accounts. For example, if you cannot pay in cash, we will take payment in copper or lead. The legislative basis for this is being created. The Kazakh

president issued an edict in April on securities. The matter is now being worked out in the Economics and Finance Ministries.

In the meantime we are trying to utilize clearing settlements. This is not all that easy. We are unable to fulfill many of our obligations for reasons beyond our control. What is the situation, for example, with shipping petroleum products to Uzbekistan from the Chimkent Refinery? We try to keep on schedule, but Chimkent began operating at normal levels only in May. Before that there had been unbalanced relations with Russia, from which it gets the oil. We finally reached an agreement with Russia. We are shipping it oil from Mangiztau, and receiving Tyumen oil in Chimkent via the oil pipeline from Omsk and Pavlodar. And we are selling part of the oil to Fergana.

The Fergana Refinery supplies us with transformer and turbine lubricants for our power stations. Again you have an interdependence. It is very important to maintain good relations with our partners. We are dependent in very many areas both on each other and within the country. Let me return to clearing-based deliveries and settlements for them. We agreed in an intergovernmental accord that Kazakhstan will pay for energy resources with tinplate and iron ore pellets. The products come from the Karaganda Metallurgical Plant. But Karaganda is dependent on Dzhambyl, whose hydroelectric station was idle for virtually the entire month of April.

Uzbek gas is extremely important to us. We lease the Gazli-Chimkent gas pipeline, which runs through Uzbek territory. And the Uzbek side cannot do without the Poltoratskoye underground gas storage facility, in the vicinity of Chimkent. Its reserves guarantee vital services in Tashkent. And here the Uzbek side leases from us.

We also have problems with operations. This used to be handled in Central Asia and Kazakhstan by Sredazgazprom [Central Asian Gas Industry Association]. Since the Soviet Union broke up, we have divided its facilities and equipment. We established the Kazakhgaz [Kazakh Gas] State Holding Company. The gas pipeline is operated by a subsidiary known as Dzhetisugaz. The gas pipeline is 312 kilometers long. Our specialists have experience in operating such installations, as we used to service the Bukhara-Ural gas pipeline and its compressor stations. But here we have dual responsibility. We have to ensure the gas pipeline's operation on foreign territory. Our lease agreements provide for mutual control and inspections. We undertook to deal with any accidents that might happen. But it is important to prevent them!

Now we are running into the problem of rising water tables in the pipeline's vicinity. This problem has to be solved with the local Ministry of Water Resources, which has to raise the dams and lower the groundwater level.

In general, the ties have remained strong at bottom level. All of us power- and gas-industry workers have worked together for many years. And today too we help each other whenever we can. We began producing fittings and

oil-field equipment at converted enterprises in Ust-Kamenogorsk, Petropavlovsk, and Almaty, and we immediately informed our Uzbek colleagues. Partners in Pavlodar used to supply caustic soda. But last year, on account of environmental concerns, the enterprise was closed. And not only for us, but also for our neighbors. The situation is the same with lubricants, which no one in the region produces. For example, for 300-megawatt units. So we bought them abroad for energy workers throughout the region.

Our outlook? The economy will get on its feet. And our task is to maintain our fuel and energy potential and expand it.

### Trilateral Economic Body Seen Taking Shape

944K1551B Almaty ABV in Russian 20 Jun 94 p 3

[Report by Sergey Volkov: "A Real Headquarters May Soon Appear in Almaty. So Far Only Central Asian. Enough"]

[Text] *While Eurasian ideas so far remain on paper, the Unified Economic Space project (Kazakhstan, Uzbekistan, Kyrgyzstan) is beginning to acquire an increasingly real shape.*

One gets this impression from a frenetic pace of preparation of numerous documents for the July meeting of heads of these three countries that is currently being carried out in the bowels of Kazakh ministries and agencies. Despite personnel and structural reshuffling in republic state organs, more than 10 agreements and accords are going through final polishing, which gives one hope for at least an outward success of the upcoming Shymkent summit of Presidents Nazarbayev, Karimov, and Akayev.

The unquestionable "bomb" among these documents (at least for other CIS partners) will be the substantiation of proposals being prepared by our side for making Almaty the site of the proposed headquarters of a permanent executive body of the "Central Asian trio's" intergovernment commission on intensification of economic integration. Kazakhstan is preparing not only the draft on this organization's status, but also its estimated budget, and will provide the technical infrastructure for its functioning. Such serious preparation for organizing the structures of the Unified Economic Space (EEP) seem to be pointing in the direction that this interstate structure is being set up seriously and long-term. There is, of course, a danger that even after setting up the organization's headquarters, as time goes by and circumstances change, its parents will lose interest in the idea of Unified Economic Space, and this will result in another unproductive squandering of the republic budget money.

Notable among other documents is a memorandum and program for creating conditions to reduce the population's migration. It is not yet clear, though, which migration Kazakhstan, Uzbekistan, and Kyrgyzstan intend to reduce—interrepublic or general? At the root

of this question is that it is quite difficult to separate the regional migration issues from general migration problems existing today on the territory of the entire post-Soviet space.

Naturally, in attempting to create something unified and economic, the sides concentrated their attention first and foremost on economic issues. Among them, agreements on the following should be noted:

- setting up an arbitration court (Supreme Economic Court);
- setting up a joint commercial bank;
- setting up joint enterprises;
- manufacturing cars on the operating capacities of the three countries;
- manufacturing cotton yarn and fabrics made of it;
- manufacturing textile machinery;
- joint construction of an Aktau-Beyneu-Kandagach oil pipeline and reconstruction of oil refineries.

Most likely, dealing with these items (if agreements on them are signed) will become the prerogative of the aforementioned Unified Economic Space's permanent executive body and the planned Business Cooperation Council (SDS), in which our side apparently will be represented by specialists from the Ministry of Economics, the Ministry of Industry and Trade, and the Congress of Kazakhstan Entrepreneurs. The presence of the latter organization in the lists of candidates for participation in international structures says that the young businessmen who constitute its skeleton are already tired of simply asking the government for this and that and decided to engage themselves in writing economic history (even though only a Central Asian one). There is a concern, though, that the new generation of entrepreneurs will find themselves too much involved in such close cooperation with Cabinet of Ministers structures, which will eventually leave them firmly linked with the current government course, which is not particularly popular among the people. But this is, as they say, their own problem.

In short, we do not have to wait long to find out whether it is right to say that Unified Economic Space ideas are eternal because they are correct.

### Media Heads Address Publication Problems

944K1548B Almaty KAZAKHSTANSKAYA PRAVDA in Russian 21 Jun 94 p 1

[Article by Oleg Kim, KAZAKHSTANSKAYA PRAVDA: "In the Unity of Speech and the Press"]

[Text] The printing industry of Kazakhstan has ended up a captive of the severance of economic relations. Its life

depends 100 percent on imported equipment, binding materials, ink, paper, and other raw materials. The problems of this industry are now shared by all Central Asian republics of the former Union.

The leaders of the press systems of Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Turkmenistan decided that a way to overcome the crisis should be sought jointly. Last year, they established an interstate regional commission for the issues of printing, the press, and book publishing on the initiative of A.S. Sarsenbayev, Kazakhstan Republic minister of the press and mass information. The commission was headed by Yanvarbek Tlevlenov, director of the Dauri republic newspaper and magazine publishing house.

The results of one year of joint work were summed up in Almaty at a regular conference of the ranking leaders of the systems of the press and mass information of the Central Asian states and Kazakhstan. A KAZAKHSTANSKAYA PRAVDA correspondent asked [first initial illegible] U. Sandybayev, a Kazakhstan Republic deputy minister for press and mass information, to discuss the activities of the interstate regional commission.

"During this period, the working group of the commission held conferences in Tashkent, Ashgabat, Dushanbe, and Bishkek. The potential of each region from the standpoint of organizing its own production of import-substituting materials with the existing raw-material and technical resources was evaluated. We are quite in a position to manage ourselves in the publishing business.

"Thus, Uzbekistan is prepared to establish, of course with support from neighbors, the production of PVA [polyvinylacetate] glue, which is indispensable in book publishing. The Uzbek Varnish and Paint Plant can master the joint production of printer's inks, binding materials, and bookbinder's cloth.

"The issue of paper is also being resolved. Only two specialized enterprises that manufacture cardboard and writing-wrapping paper from imported raw materials and waste paper operate in the Central Asian region; these are the Uzbek Uzbum Joint-Stock Company and the TsKZ [pulp-and-cardboard plant] in Kzyl-Orda. Given the current state of affairs, it is necessary to support them not only through steady waste paper deliveries but also through funding from the budget. Following a partial retooling of the Kzyl-Orda TsKZ they would be able to establish the production of writing and printing grades of paper there.

"Representatives of Kazakhstan proposed another way to solve this problem. There are Chinese technologies for

boiling pulp out of cereal straw and manufacturing various grades of paper with the pulp. Specialists from the Kazakhstan Ministry of the Press and Mass Information and the Kzyl-Orda TsKZ have already visited such operating enterprises in the PRC. Chinese experts have managed to familiarize themselves with our conditions and potential. It was resolved that the construction of several pulp-boiling plants in the vicinity of the bread-baskets of Kazakhstan is feasible.

"The Tajik regional commission submitted interesting information. Experiments aimed at producing paper by the unconventional method of 'wood molding' with the use of a completely new principle of polymerization in the electrical field are underway in Tajikistan. Wood of all types is suitable for manufacturing such paper. The Tajikistan Government is financing this project. In addition, they are working on producing rolled aluminum and PVA glue at one of the local plants.

Turkmenistan is also making its contribution to the common cause. Jointly with the Turkmenstap, the printing industry is "pushing through" spare quotas for alumina, sulfur, soot, silicates, and other raw materials necessary to manufacture printing supplies.

Deliveries of spare parts, modules, and assemblies for printing equipment have become a headache to all enterprises of the industry. At present, general combined requests for the assortment of spare parts are being drawn up. The plan is to manufacture the spare parts at heavy machine building plants in Kazakhstan and Kyrgyzstan. The Tashkent State Design and Scientific Research Institute for the Integrated Design of Printing Industry Enterprises, the sole specialized design institute in the region, has become involved in solving the issue of a shortage of offset plates. Technical calculations have indicated that the most advantageous scenario calls for establishing a joint-stock company for the production of bimetallic offset plates in Karagandy at the facilities of local enterprises. The contract of incorporation has already been signed, preparatory work is already underway.

"However, the development of the industry is naturally impossible without the participation of other printing industry representatives of the once united state. For this reason, the Kazakhstan Ministry of the Press and Mass Information appealed to our Commonwealth colleagues for pooling our efforts in solving our common problems.

"Prospects have been mapped out, and the outcome of a well-conceived breakthrough toward cooperation as equals on the printing-industry market of the CIS will now depend on coordination and mutual understanding."

## ARMENIA

**Political Groups Debate National Ideology**

944K1531A Yerevan GOLOS ARMENII in Russian  
21 Jun 94 pp 1, 3

[Roundtable discussion under the rubric "Roundtable in GOLOS ARMENII"; material prepared by Marina Grigoryan: "The National Idea in the Party Program"]

[Text] That was the wording of the topic of the roundtable discussion held in the editorial offices of GOLOS ARMENII to which representatives of various political forces-parties and organizations were invited. Participating in the discussion were: Ashot Navasardyan—chairman of the Republican Party of Armenia, Aram Sarkisyan—chairman of the Democratic Party of Armenia, Igor Muradyan—from the sociopolitical organization Zharang, Sergey Badalyan—secretary of the Central Committee of the Communist Party of Armenia, Grant Khachatryan—chairman of the union Constitutional Law, Karlen Torosyan—chairman of the executive committee of the Union of the Sports World, and Vaan Ovanesyan—chairman of the National Democratic Union. Let us note that representatives of the ARF Dashnakiutyun, the RamkavarAzatakan, the AOD [Armenian National Movement], and the ONS [expansion not identified] were also invited but, unfortunately, they did not consider it necessary to participate in the discussion.

A. Sarkisyan: Apparently to begin with we need a small amount of representative information about what unification around a national idea should be, taking into account the fact that our people have already proved that such a unification is possible and is a powerful consolidating force. This includes the problem of Karabakh, which, unfortunately, has degenerated into something else. This idea simply does not exist today, which is obviously a disaster for our entire society. In our view, this is the fault of the ruling force that came to power as a result of the consolidation of the people around a single idea.

As concerns the national idea in the program of the Democratic Party, it is fundamental and emerges from the following concept. We are faced with the problem of restoring the national image of the nation, which might also be the idea that holds things together in the matter of revival of the Armenian nation as a civilized one that respects human values and is developing in this direction. The restoration of this kind of image, in our view, presupposes the existence of many programs around which the most diverse political forces can rally. Above all it is necessary to determine national priorities—the range of these tasks and the possibilities of carrying them out. We see a number of them that could quite possibly be carried out even under current conditions.

But this is not being done. We have not created an integrated, constructive program, which, incidentally, is natural, taking into account the fact that the people who have come to power are not of a constructive inclination but, on the contrary, are working only for the idea of

rejecting the communist one. As a result their actions have included so little that is positive that the effect is purely destructive.

Our party has developed a program in which Armenia's external priorities, its position and role in the modern world, have been worked out along with the domestic policy ensuing from this. It is even somewhat awkward for me to say that the difference between the national and the nationalistic is not only methodological but also practical in nature, while the president of the Republic of Armenia in his speech tried hard to prove that the end point of a national ideology is nationalism or fascism. One must assume that the failure of the program that they supposedly had required an ideological "packaging" of a bankrupt policy, because to try to prove that national ideology and national accord are false concepts is simply absurd.

In our program the national credo follows from common human values that, in our view, are in harmony with national ideas. Every people also has specific peculiarities that, of course, must be taken into account. And I do not know of a single democratic country that does not have a national program. According to the president's logic, for example, France would have to be considered a fascist state since there everything—beginning with the constitution and ending with politics—is subordinate to national interests, which in no way contradict the interests of other peoples. It is appropriate to recall that even General de Gaulle was put into power only after the society's democratic institutions were formed. Moreover, he initially became prime minister only so that he would not have the opportunity to concentrate an immense amount of power in his own hands, and only several years later was he allowed to become president.

GOLOS ARMENII: I would like to draw the attention of those present to the next point: If we think that in 1988 we had a consolidating national idea, how and why has it become so degraded that today we speak of its absence? Would the easiest path not be to heap the responsibility for this on the authorities alone?

A. Navasardyan: To deny the national idea means to deny the existence of the nation in general, to reduce all of our life to a process of liberation from prejudices. It turns out that we simply reject absolutely all values created and respected by nations and consider ourselves on this side of the barricade while on the other side there is nothing but falsity, illiteracy, idolatry, and prejudice. The so-called centrists can only run—from time to time serving on one side of the barricade and then on the other. In essence, this is the environment in which essential factors operate. In this sense the Republican Party is purely nationalistic since it is fairly well grounded in its world view and has its own ideology based on the priority of national values, considering them the highest ones after God. Naturally, national interests are the highest for us, and our defining concepts



are the motherland, the nation, and the state. At the same time the creation of the state is by no means an end in itself but a necessary condition for the existence and development of the people, which should embody the most essential particularities of the nation.

In our view, in the world, on the one hand, there is a war with the purpose of destroying nations conditioned by the clash of various political and ideological concepts, and, on the other hand, there is a struggle for the survival of the species. Between these two poles there are a multitude of forces of the most diverse trends. We include ourselves in this range of sociopolitical trends that value, wants, the national gene pool and national peculiarities. Hence our idea of a state that contributes to the greatest extent to their preservation, development, and flourishing. In our view, today the Armenian people are considerably removed from a true self-evaluation, alienated from it, and therefore we set as our goal improvement of the society, interpretation of the path that has been traveled, and a striving for the future. As for the loss of the national idea we had previously, it has essentially dissolved in the worldwide ideology that has pervaded Armenia. But our society is searching again today, the worldwide ideology of that—and it is trying again to form the foundation on which our national idea should be built.

**G. Khachatryan:** It seems to me that in our discussion it is impossible to avoid the existing background, which is, undoubtedly, the prevalent conviction that "the national ideology is the political ideology." It is very important to understand this. I would say that I am convinced that this way of thinking became the prevalent himself thinks this way, and therefore in order to please someone outside Armenia. There was a different purpose. To weaken our ability to oppose the course to extreme liberalism brought in from outside Armenia against which our people have not yet developed a common and proponents of which are now ruling are headed by L. L. Ter-Petrosyan.

There is a great multitude. And when we try to prove the approach, we start talking with a certain fable to the effect that we need to throw a rock into a hole and 100 wise men will be thinking about it. Therefore, I consider it superfluous to prove that national ideology does indeed exist, that was proved long ago, and not by us. More essential for me is another part of the question—how the national ideology is reflected in our party's program and actions.

The Constitutional Law of our program was written in 1990 and, regarding the existence in the party program of points pertaining to national categories, did not surprise anyone. I have mentioned by the following:

I would like to include our support for and devotion to absolutely all national values. Other points in the program pertain to national structures and, to a certain degree, the efforts to create a circumstance that the party (Armenians) could help people with a technical education, therefore, the best way of organizing the nation is

to develop national structures. For our individuality, our personality, is sufficiently well formed not without the following degrees of organization. The Armenian family, the concept of the Armenian community (Armenians), flattened to a certain degree in the former USSR but nevertheless preserved in the Western diaspora, the concept of the Armenian party has also been formed. In order to move on to a new level of sociopolitical development, consequently, for the state to develop those national structures that are not yet sufficiently formed.

Unfortunately I must say that since the formation of the creation of our statehood, to our own surprise, I have ended up in the ranks of the political opposition and have a greater opportunity to fight not only Armenia, but against the policy that is aimed at the destruction of national structures. This can be rectified only through a radical change in the attitudes of the people in the direction of creative activity. Then we will have the possibilities of participating in it.

**S. Badalyan:** I do not agree that there is no national idea—it was only because of it that our people found it. This is the idea of survival, the creation of a new statehood, an individual society, finally, the idea of national and social liberation.

Let us recall where the notion of the national idea came from. The problem of Nagorno-Karabakh did not come up out of the blue. The idea of the state, to destroy the country, particularly the Armenians, to get the Communists out of power, was born out of the absence of a national idea in the country. The idea of Armenia, accusing it of departing from the approaches and betraying national interests. It arose speculation about the need for a national program. The falseness of the program of today's impasse.

For it turns out that the period from 1985 to 1988 was not the realization of a national idea, but a period at the crossroads. I do not think that the people were unaware of the way out of the impasse. However, political propaganda, the policy, and the program became national not from frequent repetition of the word but from real activity on the part of the people or another. The Armenian people have been civilized in a European way with the concept of statehood—perhaps with a certain delay, but in the eighties—as a result of the political and social changes in the Communist Party of Armenia. All values, including the national, about whose salvation and development we are speaking, originated as a result of the political and social changes of the latter.

We do not see national self-isolation as a goal for the Armenian people. Over 20 years of the Armenian people, the real spirit, the potential of Armenia, was manifested only because of close contacts with the peoples of the former USSR. Only because of this our people risen out of nonexistence. I would like to

you that during the war years it was around Soviet Armenia, fighting along with other states against fascism, that all progressive Armenians united—both inside and outside the republic. It was Soviet Armenia that became the embodiment of the Armenian people for a sufficiently independent existence, the development of culture, science, and economics. And today we think that the national program can be implemented in close connection with the historical surroundings of our existence throughout the past 200 years. We see the only way out of the existing impasse in the creation of a union of independent states—with preservation of all the attributes of a subject of international law. This is our historical destiny. If the largest states of Europe strive for integration, we have needed this for a long time. The collapse of the Union hit us Armenians hardest of all. Therefore we must be among the first to strive for the restoration of the union of states—taking our past mistakes and omissions into account.

It would be wrong to reduce all of our problems to Karabakh alone. But here, too, we have taken certain steps along with Russia so that when we create a new union it will include not only the former Union republics but also all disputed territories. If we want to be realistic and find a solution we must join together into a new union under a new name with a new content. There is no other way for the Armenian people—this is our national idea and our national program. In our view it is inevitable—and the sooner this unification takes place the sooner we will solve our national problems.

**GOLOS ARMENIE:** Are we to understand that unless this new union occurs our people have no future?

**S. Badalyan:** I am fairly familiar with the processes occurring on the territory of the former USSR. These processes are going on and we must manage to be among the architects of the new plan. There are no other options for Armenia. Otherwise we will simply exist at the level of some kind of African country—Somalia, for example. And this incidentally, would suit Turkey just fine.

**I. Muradyan:** Nationalism is a political method of preserving traditions. The Armenian tradition, the land-motherland was given to Armenians by the Lord God and Armenians must exist as a nation to work their land. Those are the ends that must be served by the national system for survival and life support. This is what the Lord God wants. The national system of survival and life support must include as a totality the state organization, economy and social structures, and ethical norms. This system must not be based either on liberal, one-world, or on totalitarian communist principles, it must not adopt any of the other right ideology, but must be based on the ideology of revolutionary conservatism, which presupposes a national, nonclass revolution for the preservation of tradition.

As a political method nationalism is identical to corporatism and corporativism, at the bases of which lie the

principle of subordination of the interests of the individual to the interests of the nation, on the basis of protection and preservation of the possibilities of the individual as the bearer of tradition. In the present historical conditions corporativism is a form of existence of those social groups whose vital activity is based on the life of the nation in the native land. That is, the motherland is for them a spiritual and material priority of existence to which there is no alternative. The social base of national corporativism is the majority of the peasant-land owners and many of the most skilled hired workers and intelligentsia, and also part of the bourgeoisie. The existence as a social group is conditioned by activity in the motherland. Unfortunately, only a small part of the diaspora is spiritually and materially interested in national corporativism.

The concrete conditions for Armenia's existence do not allow socialist or corporative methods that are based on the "theory of large enclosed autarchic spaces." Marxist ideologists are Leibnitz, Friedrich List, and Lenin. Armenia will automatically be a part of either Russia or a liberalist supersystem. Corporativism is a guaranty of Armenia's independence under the conditions of active participation in international division of labor and the struggle for an economic place in the world.

Regardless of how politically attractive and a seemingly irreproachable one might find the truly national world line of conservatism, running from Plato, Aristotle, Thomas Aquinas to Leibnitz, Fichte, and Hegel, and brilliantly carried on by Werner Zohlvart, Arthur Schopenhauer, Vandenbruk, and Alain Benois, the essence of nationalism lies in the fact that no ideology, regardless of how true, may be applied by a nation in cosmopolitical terms. There is no nationalism without recognition of the unconditional priority of Armenian bloodline and ideology.

Therefore the eastern Armenian national-conservative club Zharang sets as its task to develop a national ideology based not on conservative social structures but on ultimately cosmopolitical but on the basis of a new understanding of the essence of the national revolution that proceeds from the Lord God.

Political nationalism is unthinkable without the formation of a certain mentality, ethic, and style. The national type of behavior becomes national when an entire generation responds to the question "To whom does Armenia belong?" by saying "Armenia belongs to us, if the nation is truly viable and the Lord God is with us." It is to express itself precisely as a nation and not as a part of some alien cosmopolitical mentality. No nation is capable of nationalizing any ideology. We do not see in Armenia any parties that would be bearers of a specific ideology. But if I am told that in order to save the life of one Armenian, in order to prevent one drop of Armenian blood from being spilled I have to attack a certain party—then I will do that.

**A. Navasardyan:** I want to disagree with the idea that people are different according to their mentality, that they are so clearly expressed in our reality, that we are living around ideologies. A party that has adopted a national ideology simply does not exist in our country. Let me give a concrete example.

The Dashnak party expresses the interests of the hired workers, and the right society will lose a good party. There are no parties expressing the interests of the peasants. There is no need to jump from one extreme to the other. Cosmopolitanism is the same as the ideology of communism. Incidentally, now, because of the efforts we are trying to insert ourselves into the kind of created new world order. The people who are speaking about the fact that there is no national program and the nation must be created, say the idea exists: it is another ideology of a non-consolidating nature.

**V. Ojanesyan:** The very fact of our discussion is evidence of a certain confusion. It is not even that there is no consensus, but from there is no understanding of the basic concepts. In my view it is a fairly common mistake to include the mysticism of the national ideology and historical values, economic and social relations. It is not a question of the program of some party—it is a question of the "edifice" there are individuals who are reflected in the programs of

the party. National ideology must be not only a political, but also an economic nature. It is no secret that the main theme of the discussion was the president's speech. The question is why such a speech was made. We must recall the background. The National Democratic Union was born in 1988. At that time academic circles had already made formulas, and the Dashnak Armenian ideological thought must have the necessary basis for the formation of a national ideology. Rather, it is a question of certain mothballed systems of thought which we would have liked to

revive. The Dashnak ideology is a political and economic nature that presupposes a certain attitude to this the opposite pole of the world. It has already been discussed here—the Armenian and existing stereotypes. But the question is how it worked in reality. I am not talking about the following. We criticize and we do not see it in action? Are the Dashnaks coming from liberal positions—are they actually liberals? Must we not be guided by the results of their

actions? It is clear that we still have not revised our ideology. We have an interpretation of the

events that have occurred during the past six years or provided an academic assessment of these processes. I would like to recall another of the president's speeches on the occasion of the 50th anniversary of the Academy of Sciences where he said that academic thought is not fulfilling its function. One can agree with this in part. That is, under the conditions of the universal vacuum, are said opportunistic purposes and we are trying in response to build some kind of "edifice" of our own. But there can be no serious "edifice" because our cultural, logical and political evaluations are fragmentary, there is no organic binding thread, we have not clarified for ourselves what nationalism is or what liberalism is, and we need to reinterpret all concepts.

Thus one can state that Armenia is faced with an ideological crisis with two parameters: First—there is no consolidating ideology and second—there is no agreement about the issues that compose one. Several approaches are being offered: Absolutely nationalistic and to a certain degree socialist formulas which are not revealed since their bearers themselves do not understand their essence; spineless liberal democracy, which does not exist as such in reality; a groundless state is being created. Mr. Byadalyan offers another version—to place basic responsibility on Russia again and work together, but then the center of gravity shifts as well.

All of these constructs are imperfect since with respect to any of them there arises a multitude of questions for which their apologists have no answers. There is no ideological construct today that is capable of rallying the society around itself and hence the lack of economic, foreign political, social, and other programs.

I would call the field within which the National Democratic Union is seeking a solution a synthesis of two opposing currents. The first is a reformation of the national supertask in issues related to Avdat, and the second—nationalization of the liberal-democratic system of values. But generally speaking parties cannot within themselves or in interparty contact solve problems of creating a national ideology since academic circles have not yet been drawn into this process. In the press today you will not find material of a conceptual nature, they are rather of a situational nature—that is, in essence the edifice has no first floor. It is by taking advantage of this vacuum that the president can allow himself to say absolutely absurd things. I envision a national ideology in the form of an open chestnut in which it is possible to unite around questions and separate in their answers. But we do not have an integrated idea of the range of these questions and therefore we cannot speak of answers yet.

**A. Navasardyan:** It is unthinkable to draw any conclusions today. The political parties are trying to adapt to the situation without any ideology and trying only to achieve a certain harmony of existing forces. I think that this is actually only a desire to adapt, but based on what and in order to preserve what? That in and of itself is already an ideology. Ultimately everything amounts to

for the sake of what? For the sake of... striving to have a state and a competitive... this question that lies at the basis of... the other one—how?—determines the...

...agree with many of the ideas expressed... party's ideology is closest to what I... would very earnestly ask you not to... concept of the sports world as people... sports. That is not true. The area of... and many outstanding people—bearers... they have always been bothered by... do not represent their motherland... arena, even during the times of... Today they are acting under the flag of... each of them would dream of... flag of Great Armenia. Nonetheless... must bear a certain ideology—... not represent either their homeland or...

...are thing to be to preserve national... out of the depth of centuries and... principle. What is a man in our under-... all a soldier for the motherland,... a high degree of physical, moral, and... moment. This is one of the postulates of... is very important to have, if you... of Armenian men, including... of duty and responsibility, etc.

...the problems bothering our people... of course, fail to mention first of all... position is simple: We are in favor of... Artsakh want and choose for them-... the same thing is true with... These lands were given to us by God... look at the map with hope and faith... problems, as it were, as distinct... present day. They amount to the... been destroyed, we need new... these conditions strong and coura-... influence the rest with their ideology... will achieve their goals. I would not... anybody but it seems to me that any... advocate of the idea of a strong... achieve this is another question.

...need for the creation of our party. But... famous, they are bearers of... and they are capable of leading... much for our ideology to be aimed at... national school where patriotic educa-... the very highest level. For us it is very... close contacts with other parties and... roundtable has done a great deal for... efforts of all in order to bring the...

...things like this are indeed very necessary... exchanging ideas. In essence our major

and common idea today is the existing crisis of power and the need to constitutionally remove the ruling grouping from power and hold early elections. And on the plane of preparing for these elections a permanent roundtable would be very useful.

I liked V. Ovyanesyan's analytical approach to the problem. But I want to ask one thing: In your attitude toward the Communist Party do not be guided by the stereotype that we want to shift the responsibility to Russia once again. We are speaking only about a voluntary association of states with equal rights. The first such experiment, with all its minuses, provided for the flourishing of our people and therefore we want to be among the architects of the new union.

V. Ovyanesyan: I, too, have a request of that nature. You spoke of a stereotype with respect to the Communist Party. But there is also another stereotype—anti-Russism which, in my view, is of a mythical nature. Let us agree that in Armenia there are no nonpragmatic, anti-Russian vectors, there are only differences in approaches. And only on the basis of this will we hold further discussion, in any case, the image of the enemy should not be created on this soil.

GOLOS ARMENII: In concluding our discussion let us return to the question as initially posed. In principle we all agree that in 1988 there was a national consolidating idea—Karabakh. But while six years ago this idea brought almost a million people out into the square, if it was capable of ousting the communist regime from power, today's sad realities are that in parliament there were not even 123 votes for including on the agenda discussion of the Karabakh problem in light of the latest events.

Nonetheless one can state that the Karabakh movement has not solved all of its problems. We suggest in a brief answer to this question: Is it possible today to revive the Karabakh idea and rally the nation around it?

S. Badalyan: I am absolutely certain that it is unthinkable to solve the problems facing our people without solving the problem of Nagorno-Karabakh. This is a necessary constituent part of both the national ideology and the national program.

A. Sarkisyan: I think that the consolidating idea for today could be the problem of ways of establishing the state. As for the model, we see it as social democracy taking our national specifics into account.

Moreover, we have to get away from revolutionary romanticism in any case. It seemed to me that we had already gotten over this disease but, unfortunately, this approach still exists. In any case we must deal with reality and proceed from the fact that national interests must be subordinated to existing political realities.

A. Navasardyan: The accusation of romanticism probably proceeds from the fact that I may have understood the topic of the roundtable incorrectly since several of



the statements heard here pertained rather to mechanisms than a truly national idea. As for the ideological vacuum, it seems to me that there is none since every party has its own ideology, in any case, its activity must clearly show which ideology is served by one party or another. On this plane the Republican Party has a very clear ideology.

**G. Khachatryan:** The only consolidating idea there can be is freedom of the nation, which also guarantees freedom to each of its representatives. Why does the idea that worked in 1988 not exist today? The people's mass awareness has received the idea that slavery is valued more highly than freedom. The idea may work again, in the first place, when people are convinced that slavery certainly did not reward everyone with the same generosity and, in the second place, when those who are rewarded understand that material goods are certainly not a criterion for freedom.

**I. Muradyan:** I consider romanticism to be the presumption that the people can be the bearer of a national idea in a formalized way. This is a harmful and dangerous illusion. People must have certain stamps, they must have a clear idea of who is an enemy and who is a friend. As seen by the people the national idea should be expressed by certain tabulated concepts and categories. For example: Karabakh must not be betrayed. This is a taboo and if we go against it, it will be the beginning of degradation. And the task of political parties is to understand and interpret the processes taking place and be able to present them to the people.

**G. Ovanesyan:** It is difficult for me to give a simple answer to such a large question. In any case, today the consolidating idea could be that of a leader who is capable of showing us the way into the 20th century as a strong state with a free Karabakh, a self-organization of Armenians on a worldwide scale.

**K. Torosyan:** I think that under conditions where a considerable part of the society is deprived of any hope and is apolitical, our task is to be able to inspire and unite people within the framework of the national idea that has been discussed today. As for Karabakh, this has already become a question of national honor for our people. There is no other solution but the expression of the will of the people.

**GOLOS ARMENIE:** We thank you all for participating in our roundtable and we hope the discussion was useful to you and interesting to the readers.

## AZERBAIJAN

### Positive Changes Noted in Nagorno-Karabakh Demographic Situation

944K1441A Moscow *SEGODNYA* in Russian 3 Jun 94 p. 5

[Article by Yuriy Golotyuk: "There Will Be No Demographic Catastrophe: The Women of Nagorno-Karabakh Are Giving Birth to a New Generation"]

[Text] Estimates by certain experts who predict that after slightly more than five and a half years of warfare Nagorno-Karabakh is just about on the brink of a demographic catastrophe seem excessively pessimistic. To losses which are serious for such a small population, the Karabakh are filled with determination to respond with "adequate measures" for surviving and preserving their gene pool.

According to data provided by the Stepanakert ZAGS [Civil Registrar's Office], at the end of May 1994 the birth rate—although continuing to lag behind the death rate—is already gradually overtaking the latter. Since 1 January, 404 deaths have been registered (according to ZAGS Inspector Elmira Grigoryan, 90 percent of them perished at the front) and 320 births. Whereas during the prewar years men in Karabakh used to marry—as a rule—after reaching the age of 24 or 25, nowadays they are marrying at much younger ages, i.e., 18 or even 17, so as to leave an heir behind before going off to the front. "Karabakhians have now come to understand that having traditionally small families with one or two children was our biggest mistake." So states Boris Arushanyan, first deputy chairman of the NKR Council of Ministers. "Every family should have a minimum of four or five children. The leaders of this republic are attempting to provide a personal example. For example, my youngest daughter is three months old, and the chairman of the NKR Supreme Soviet had a boy two and a half months ago. We understand that things will be hard for these children; those who are now two or three years old were mostly born and grew up in cellars under shelling and bombing. However, we must give life to a new generation of Karabakhians."

As noted by Mr. Arushanyan, the protectionist policy of the NKR leadership will proceed along two principal lines: one prohibitive and the other providing incentives. The former provides for introducing a ban on abortions in the NKR in the very near future. According to a law—the draft of which is now being considered and amended—it will clearly be forbidden for women under the age of 45 to have abortions, unless there are medical grounds. As to providing incentives for having many children, the government is introducing a system of benefits and creating privileged conditions. It will give families having three or more children considerable humanitarian assistance, to be obtained from charitable funds.

An unprecedented method of providing social protection for children who have been deprived of a breadwinner is the institution of "posthumous marriages"—an institution that has been officially legitimized in the NKR. By a special edict of the NKR State Committee for Defense it has been decreed that in the case of a soldier of the Karabakh Army living in a common-law type of marriage before leaving for the front but not getting around to registering this marriage, and in the event he is killed, his widow—on a court decision—may be recognized as such in full accordance with the law. Accordingly, she—together with the children of the deceased—may receive

the appropriate pension. Moreover, such cases cannot be called isolated instances. According to data provided by the Stepanakert ZAGS, of the 173 marriages entered into since the beginning of this year, one out of every 10 has been "posthumous."

Measures have been undertaken to prevent the mass killing of children and youths during shelling and air raids. Specifically in connection with the April bombings by ground-attack aircraft of the Azerbaijani Air Force, secondary schools in Stepanakert were closed down for about a month. "We do not have enough children to risk having scores of them wiped out by a single bomb," the Karabakhians explain. Finally, attempts are being made to recall minors from combat units of the Karabakh Army of Defense. Whereas just a year ago the Army Staff Headquarters mentioned with pride a battalion made up entirely of 15- and 16-year old volunteers fighting in the Mardakert Region, nowadays Major Murad Petrosyan, the chief of the Army's Political Section, assures us that it is strictly forbidden to accept youths under the age of 18 for service and that the Staff has ordered the Finance Unit to exclude all minors from the lists of combat units.

As of today, the exact number of Nagorno-Karabakh's inhabitants is unknown, but as a rule the approximate figure of 150,000 persons is cited. Nor has there been an official report of the total number of losses suffered by the NKR during the years of the conflict (unofficial sources proceed on the basis that the number of persons killed among the civilian population as well as among the combatants amounts to something like 5,000). Be that as it may, Boris Arushunyan, first deputy chairman of the NKR Council of Ministers, asserts the following: "The losses incurred by Nagorno-Karabakh during the years of the Great Patriotic War were much greater than they have been during the course of the present conflict. Therefore, even if we are now compelled to continue this war, I am confident that this will not bring our people to the brink of extinction."

### Kuliyev on Peace Prospects, Politics

944K1546A Moscow LITERATURNAYA GAZETA  
in Russian No 24, 15 Jun 94 p 10

[Interview with Rasul Bayram oglu Kuliyev, chairman of the Supreme Council, by Elmira Akhundova; place and date not given: "We Need Peace and Radical Reforms"]

[Text] As distinct from the previous speakers of parliament, he cannot be called an "office individual." He is actively involved in military organizational development and spends more time in the areas of combat operations than in parliament itself. Before he was elected to the office of chairman of the republic Supreme Council, he worked for a long time in industry and was in recent years head of a major Baku oil refinery. He is a practical expert and manager. A fierce supporter of the market. The main hope of Azerbaijan's businessmen and entrepreneurs. Today Rasul Bayram oglu Kuliyev is the main and most

influential figure in Geydar Aliyev's team. He is interviewed by our correspondent Elmira Akhundova.

[Akhundova] The war, negotiations with the leaders of Armenia, economic reforms. Is not the plethora of duties getting in the way of your main activity—work as chairman of parliament?

[Kuliyev] I don't believe so. On the contrary, parliament is now working very productively. It is not, after all, a question of the number of bills that are adopted but of their qualitative level and their correspondence to the laws of civilized states. As far as the military questions are concerned, when it is a question of defense of the motherland, I am no longer speaker here but an ordinary citizen. I consider myself simply duty bound to go to the areas where combat operations are being conducted and resolve on the spot the problems that arise. Implementation of the economic reforms, on the other hand, is for me a most important question. We will acquire genuine independence only with the creation of a developed economy that operates, truly, according to market laws of economics. If, on the other hand, we continue to live and work according to the laws of the totalitarian system that held sway in the former USSR for many decades and that continue to exist in Azerbaijan to this day, we will never create an efficient economy and will constantly be on the verge of a loss of state independence, which we acquired with such difficulty and such sacrifices. I see as the purpose of my life and present activity in the office of speaker of parliament, therefore, the implementation of fundamental economic reforms.

[Akhundova] Unfortunately, there has been virtually no movement in the republic in this respect. What or who, in your opinion, is impeding the implementation of radical economic reforms in Azerbaijan?

[Kuliyev] The majority—80 percent—of the representatives of the state-bureaucratic nomenklatura that are in power at this moment do not at all represent the essence and meaning of the economic reforms. They are far from any market notions whatever. Had this been entrusted to me, I would not have ventured the implementation of economic reforms with them. I cannot say here that there are no personnel in Azerbaijan capable of tackling the urgent problems of the day. But they need to be sought among the incipient new growth of young, vigorous entrepreneurs, scientists, economists aged 30 to 40. They have made their presence felt in the past five or six years and have already in practice assimilated all the subtleties of the market economy, commerce, and so forth. These people should come to power. Personnel and personnel policy are the main and most important "painful" problem in Azerbaijan. A concept of the systemic restructuring of the organs of state administration has been put together in the republic at this time. But without professionally trained personnel, no concept, even the most dazzling, will do anything. The war, the need to liberate the occupied territory, the most complex political situation in the Caucasus as a whole—all this is having a negative effect on internal processes in the

republic and fettering our actions. But I believe that the coming month will be a turning point in this respect. Generally, if you want to know my opinion, I am a supporter of shock therapy and of the broad and instantaneous introduction in the republic's economic organism of the processes of denationalization and privatization. Strenuous work on the creation of a package of laws that would make it possible to embark on the accomplishment of this task is being performed in parliament at this time.

[Akhundova] What is happening today on the Armenian-Azerbaijani front? Despite the fact that the Azerbaijani Army has managed to halt the advance of the Armenian formations deep into Azerbaijani territory, it has scored no appreciable successes. Are such significant losses justified? Perhaps the path of peace negotiations would bring the two sides more rapidly to the desired goal?

[Kuliyev] We have rejected the path of negotiations, the peace. Yes, the negotiating process is proving difficult. Finding a mutually acceptable version is very hard—too much blood has been spilled, there is too much mutual distrust in the parties to the conflict. But there is no alternative: Continued military confrontation is fraught with mass new casualties and the final exhaustion of the physical and moral resources of the two peoples. It is for this reason, I believe, that I did right to append my signature to the Bishkek Protocol, recording Azerbaijan's good will and its readiness for a long-term cease-fire and political negotiations.

[Akhundova] This protocol has evoked a stormy reaction in Azerbaijan. The opposition has for about a month been using your name every which way, and the most irreconcilable have even accused you of a betrayal of national interests and have demanded your resignation. The main charges amount to the following: First, in having appended your signature alongside that of the representative of the Armenian community of Nagornyy Karabakh you de jure recognized the self-proclaimed Republic of Nagorno-Karabakh and, second, your signature gave the "go-ahead" for the version of a settlement of the conflict within the framework of the CIS and the deployment of a Russian military contingent on the territory of Azerbaijan.

[Kuliyev] I consider all these charges a malicious invention of the destabilizing forces in the republic that have for several years now been playing the "Karabakh card" in the turbid water of political commotion and populist speculation in their endeavor to come to power. No one in the world, not even Armenia itself, has recognized the so-called Republic of Nagorno-Karabakh. At the same time, on the other hand, we need, finally, to recognize the current realities: A war is being fought on the territory of Azerbaijan, and Nagornyy Karabakh is a party to the conflict. As far as the question of the plan of a settlement of the conflict that is preferable for Azerbaijan is concerned, there is a good opportunity, I believe, for combining two plans—the Russian plan and the one proposed by the international community in the shape of

the CSCE and its Minsk Group. There is one "but" here.... If peace is offered Azerbaijan on shameful terms, I want no part of the conclusion of this peace. The main thing is that the four UN Security Council resolutions must be fulfilled and all the occupied territory of our republic unconditionally liberated. All other questions may be decided in the process of political negotiations. And I disagree, incidentally, with your assertion that we have scored no military successes. We have advanced along the entire perimeter of the front from 5 to 50 km. And this in just two months. Yes, we have sustained certain losses, but I am not afraid to say that we have to pay in blood for the liberation of our territory.

[Akhundova] And how do you view the idea of the commitment to the conflict zone of a peacekeeping force, primarily Russian?

[Kuliyev] The leadership of Azerbaijan is a supporter of peacekeeping actions by the forces of international observers. Since there is a need for the commitment to the conflict zone of a disengagement force, let it be composed of representatives of a mixed contingent, not just Russia. The leaders of leading Western states that are participants in the CSCE's Minsk Group agree with us on this issue. I am generally an opponent in principle of the deployment of the armed forces of Russia or any other state on the territory of Azerbaijan, of the creation of military bases here even more. This would infringe the republic's national sovereignty to this extent or the other. Russia and Azerbaijan should, in my opinion, strive for the consolidation and revival of the common economic and cultural space, but by no means for political or, even less, military dependence on one another. I spoke about this in the course of my recent visit to Moscow and am pleased that my position encountered understanding among the leaders of the Russian state.

[Akhundova] Your forecast as to how events will develop in the coming months in the political, economic, and military spheres?

[Kuliyev] Much will depend, of course, on the foreign policy macro-situation. Unless something unexpected happens, we will embark on radical economic reforms in the very near future. We can no longer delay—we could find ourselves hopelessly behind. Unless we resolve the problem of Nagornyy Karabakh peacefully, we shall continue to liberate our land. True, I greatly hope that the Armenian side and the leaders of the neighboring republic will finally understand that the path of confrontation and continued military opposition will bring them nothing. Armenia is in a most difficult situation. With the help of the overseas diaspora and foreign injections it may hold on for some length of time, even score a number of military successes, but this will not last long.

Our political strategy? We must show the world community that we are truly building a civilized state. After all, however much we praise ourselves, we are still a long

way from a truly democratic, civilized society. So there is an abundance of work to be done.

### **Edict Raises Bread, Energy Prices, Wages**

944K1521A Baku VYSHKA in Russian 18 Jun 94 p 1

[AZERIADZH correspondent's report: "Curbing Inflation Is the Main Goal"]

[Text] Baku, 17 June—The increase in the minimum wage and the price of bread and energy specified by the edict of the president of Azerbaijan on measures pertaining to the social protection of the populace, and the financial stabilization of the economy will not signify a sharp spurt in inflation and a decline in the living standard. This was stated at a news conference held yesterday by Vakhid Akhundov, state counselor of the republic for economic policy.

V. Akhundov termed the present increase in the price of bread and energy extremely necessary. According to him, this will make it possible not only to reduce their intensive exportation from the republic—that had been stimulated by the unjustifiably low prices of these products—but also to evoke a more solicitous attitude toward them. In addition, the increase in the price of bread will make it possible to reduce government subsidies by almost one-third and also to eliminate the strain that has occurred recently in the provision of the society with bread products. The increase in the cost of oil, on the other hand, on which the oil workers have long been insisting, will permit a recovery of the financial state of the oil-producing sector, which is the basis of the economy of the whole country and the main source of its currency receipts.

As the state counselor announced, the funds derived from the price increase will be spent on sums of compensation for the needy strata of the populace, which are already being paid.

Answering journalists' questions, he observed that the measures specified by the presidential edict pertaining, specifically, to a tightening in the republic of credit policy would make it possible to avoid another spurt in inflation, which usually accompanies a price hike. The current turmoil here, expressed in the uncontrolled issue of credit unsupported by real monetary resources, had become a factor of the growth of inflation, a deterioration in the financial state of the country, and a steep decline in the living standard of society. As V. Akhundov reported, as of the present time the republic's banks have issued 20-30 million manat over and above available resources. The cancellation of interbranch turnover (MFO) and the introduction of a system of correspondent accounts signifying control of credit resources on the part of the National Bank will make it possible to eliminate this negative phenomenon. According to the state counselor, this was the main condition set for Azerbaijan by the IMF, the World Bank, and other international financial organizations.

The recuperation of finances will be aided also by a tightening of control of the repayment of loans, an end to the funding of facilities of incomplete construction, except for those nearing completion, and the sale of some of these facilities to private investors. As V. Akhundov maintained, the precise fulfillment of these and other measures specified by the edict will have made it possible by the end of the year to have considerably reduced inflation, whose level currently constitutes 30 percent a month.

### **Reform Party Goals Defined**

944K1521B Baku VYSHKA in Russian 18 Jun 94 p 3

[G. Akhmedov report: "Factor of Development—the Market: Word of the Organizers of a New Party"]

[Text] Fuad Asadov, president of the Union of Leaseholders and Entrepreneurs, delivered a statement at a news conference. He announced that a congress of members of his union had been held at the end of May. It had decided on the creation of a new political organization—the Azerbaijan Republic Reform Party (ARRP).

The action committee formed an organizing committee, which commissioned Fuad Asadov to hold a news conference and describe the business and tasks of the party that is being formed.

Journalists of republic newspapers and agencies—BAKINSKIY RABOCHIY, VYSHKA, RESPUBLIKA, MILLIYAT, ADALYAT, EKHO SUMGAITA, ASSA-IRADA, ANS-PRESS, and others—displayed great interest. The party is being formed on the basis of the Union of Leaseholders and Entrepreneurs. Several years ago its members were the first to embark on the transformation of Azerbaijan's industry and agriculture on a market basis—to create leased and small enterprises, cooperatives, stock companies, and private farms.

Of course, things were difficult for them, and some of them had their fill of hard times. Had it not been for the decisive actions of the leaders of the union, who vigorously defended the rights of the leased collectives in the court of arbitration, and their protests in the press and on radio and television, it would hardly have been possible to preserve their market structure status. For example, Edison Akhundov, director of the Remdetal small enterprise, went to law six times with the leadership of the Automotive Trust of the Ministry of Agriculture, and justice was ultimately restored. And the leadership of the State Committee for Sport attempted with a squad of police officers to induce Maya Ismaylova, general director of the Ilman leased production association, to hand over her files. The workforce stood solidly behind her and the Supreme Court of Arbitration rejected the plaintiff's unlawful importunings.

The Union of Leaseholders and Entrepreneurs in fact became the public defender of all who aspired to switch to market relations. Together with the News Media Workers Union Republic Committee it conducted a



competition under the motto "For the economic revival of Azerbaijan." Many newspaper, journalist, economist, and scientist winners were awarded valuable gifts and cash prizes. The union is participating actively in law-making activity of the republic Supreme Council.

Its leaders have now embarked a new difficult venture—the organization of a party. According to Fuad Asadov's statement, the main factor of Azerbaijan's development and its emergence from the crisis is the market economy. But the brakes have been applied to the switch of the national economy to the tracks of the latter, and it is proceeding only middling well, as they say. This situation can no longer be tolerated. The main reason for the running in place is the absence of a set of laws on the market economy. The entrepreneurs are bound hand and foot because of this, which is preventing them from investing their forces, knowledge, and talent in production in full. To achieve their goals, the entrepreneurs are forced today to bow to government, ministerial, and customs officials, yet what is necessary is that all be subordinate to and depend only on laws regulating economic and social life. The current chaos and turmoil and the absence of prescriptive documents are creating conditions for endless and prejudiced inspections by representatives of the prosecutor's office, the police, financial and tax authorities....

A principal task, whose accomplishment the new party will tackle first and foremost, is an acceleration of the adoption of laws regulating and organizing the economy in a new way, remembering here the classical expression: policy is the concentrated expression of the economy.

Of course, the ARRP will fight also for people's social rights, and it has other goals also. To journalists' questions as to whether the party would aspire to seize power, it was stated that such was not its mission.

Any citizen of Azerbaijan may, without distinction as to national origin or religious belief, become a member of the party. Group membership of enterprise and organization workers also is permitted.

The ARRP urges Azerbaijan's development along the path of democracy, civilization, independence, and liberty. It rejects extremism and violence aimed at the overthrow of the current system and supports the efforts of the president of the republic for a political solution of the Karabakh conflict and his efforts to stabilize society. The ARRP Organizing Committee points to the danger of inaction and indifference and calls on the citizens for unity, active struggle against internal discord and the dirty games of various political forces, and unification for the sake of the prosperity of their native Azerbaijan.

### City of Gyandzha Faces Difficult Times

944K1528A Baku BAKINSKIY RABOCHIY in Russian  
21 Jun 94 pp 1-3

[Interview with Elsavar Ibragimov, head of executive power of the city of Gyandzha, by Vagif Abdullayev; place and date not given: "The Difficult Daily Routines of Gyandzha"]

[Text] Gyandzha, the second largest city of our republic in terms of size and industrial potential, is facing difficult times. A catastrophic fall in production, a large "hole" in the local budget, a complex crime situation, and falling incomes of the city folk hamper the accomplishment of many social and economic tasks. The situation is aggravated by the fact that the supply of basic necessities—meat, butter, sugar, and even bread—in the city is as bad as it gets. This is no longer about obtaining merchandise with monthly ration cards, but about supplies for closed institutions as well. Without exaggeration, many day-care centers and boarding schools are almost on starvation rations. Under these difficult circumstances, moral and material aid should also be provided to 110 families of martyrs and more than 30,000 refugees.

There is one more difficulty. It is found in the fact that one desire to do as much as possible is not matched by the financial and economic potential and runs into the absence of clear-cut laws in the sphere of the economy and the banking system.

How do the city authorities operate under such adverse conditions? What is their vision of solutions to the most painful problems of the city's economy? Elsavar Ibragimov, the head of executive power of the city of Gyandzha, discusses this. Incidentally, let us note that he is the first person to hold this vital position in the last 10 years.

[Ibragimov] When this office was established in November last year, many people were interested in whether I had a specific program for economic recovery in Gyandzha. Of course, there should be an element of planning in the work. This is certainly true. In the last two to three years the conditions in the city had become so lamentable that it was not clear to decide what to undertake first. There was no bread, gasoline, gas, and electricity; there was no cash in banks.... On top of everything, the crime situation has also become aggravated. Against the background of these unfavorable phenomena, certain forces have actually attempted to disrupt the operation of the banking sector and to discredit state authorities.

We recall the nightmare of last winter and the endlessness to do anything in response to a never-ending stream of complaints about the absence of gas. They began to use electricity everywhere to heat apartments. As a result, overloads caused 42 substations to burn out. In turn, without the substations it was impossible to provide drinking water from artesian wells. In these conditions were those of a city under siege.

Everything possible was done in order to improve the situation. Despite their internal difficulties, many enterprises and organizations provided assistance to the city at that time.

[Abdullayev] As we recall, that time was difficult for the residents of Gyandzha indeed. However, as we can see, the situation has more or less stabilized. We would like

to know what the priorities are in the operation of the executive authorities at present

[Ibragimov] Locally, be it in a city or rayon, the operation of the authorities is rated on how good the supply of bread and water to the people is, what condition the roads are in, how urban transit operates, and how effective crime-control measures are. In the process, they entirely lose sight of the economy. I know that it will appear strange, but a majority of the residents of Gyandzha for some reason do not see that the city's facilities are dependent on how the industrial potential is used. It is no secret that the severance of economic relations and the introduction of national currencies in all former Soviet republics have paralyzed all industries almost everywhere. Certainly, Gyandzha is no exception on this score, either. Suffice it to mention that the decline in the volume of production since the beginning of this year comes to 20 percent of the corresponding period of 1993. As we can see, the causes are objective in nature in this case. It is understandable why we are not in a position to eliminate them with our own resources. For this reason, we focused our attention on areas of the development of the urban economy which are feasible for us; these are the roads, water supply, sewers, transportation. Incidentally, at one time large funds were assigned for these purposes. However, very little was actually done. There are no such centralized receipts now. However, the demand of the population for such services has, on the contrary, increased. Suffice it to say that one-quarter of the city does not have sewers; the water supply also leaves a lot to be desired.

[Abdullayev] You said that at one time sizable funds were allocated to meet the needs of the city, and even stressed that this was done on a centralized basis. Clearly, all this is a matter of the past. Everything now depends on the potential of the city treasury....

[Ibragimov] I will say right away that it is being replenished with difficulty. Thus, in 1994 the expenditure side of the budget comes to 3 billion manats, whereas the revenue side is one-half that amount. Therefore, the budget deficit is set at 1.5 billion manats from the outset. This is why we are forced to take out a loan. Recently, we wheedled out 150 million manats from the Ministry of Finance of the republic. We received slightly more than this amount from that same Ministry of Finance last year. Living on credit has already become something of a norm. Opportunities for an infusion into the budget will remain quite modest until we succeed in substantially raising the effectiveness of the national economy.

Some see a way out in raising taxes, floating internal and external loans, and currency emission. However, this is not the way. Incidentally, I cannot but recall the high tax rates on commercial space which were introduced a few weeks ago. In essence, this is a tax on empty counters. As a result, the stores divided their sales floors into two parts. One of the halves is supposedly assigned for storage. Many stores in Gyandzha have become quite

ugly because of this. Yet this could have been foreseen had they been aware that the condition of the state trade sector is now lamentable.

Unfortunately, we appear to have forgotten that almost 80 percent of the budget, at any rate in Gyandzha, is replenished by contributions from the profits of industrial enterprises. So, if they functioned the way they did before, there would be no problems at all. However, as we can see, industry turned out to be powerless in the face of the disintegration of the unified economic mechanism on which the economy of the Soviet republics was based.

[Abdullayev] In a word, it so happens that, alas, it is difficult to hope for the implementation of particular large economic projects. To your mind, is there a way out of this financial impasse? After all, there are no reserves; you cannot get loans. Besides, on occasion it is very hard to pay them back.

[Ibragimov] We understand this full well. I admit that the money received goes into a bottomless pot. It is how expensive everything has now become. For example, we recently spent 70 million manats, we had obtained on credit just to cosmetically repair the roads. You would agree that under the circumstances that could be best to use internal reserves. However, what are we doing. Thus, we began, on a contractual basis, the construction of a shopping area in which 44 small stores will be located. Construction was done by a special construction and repair trust reporting to the executive authorities, with funding being used from both legal entities and individuals. This made it possible to contribute more than 27 million manats to the budget. Later, these funds were used to restore a 4 kilometer-long water main as well as sewers within the city limits. In a word, we saved a lot of funds. This is point one. Second, a work opportunity was provided for the special repair and construction trust whose financial situation was difficult.

The search for internal reserves continues. We have several developed projects whose effectiveness has been evaluated. The construction of single-family houses, the sale of unfinished apartments in standard-type buildings to the population, and other measures. We want to thus draw housing and land allocated for houses and dachas into circulation on the market. Later, it will be possible to also sell small state enterprises, especially ones that are unprofitable.

However, these are all forced measures. How can we proceed otherwise if the funds taken in by the budget make it possible to pay only 60 percent of the wages in organizations financed from the budget? We have to compensate for the lacking 40 percent through loans. Unfortunately, as I see it, the people in Gyandzha, like those in other regions, do not always have a clear notion of the processes that are underway. They forget that previously the enterprises of the republic operated at full

capacity. At present, many plants and combines in Gyandzha and everywhere else are on the brink of shutting down production.

[Abdullayev] Actually, this is easy to conclude based on the fact that many locally produced goods, even basic ones, have disappeared from store shelves.

[Ibragimov] The trouble is that a catastrophic slump in production has been registered not only in Gyandzha but everywhere. This is not to justify our local shortcomings. There is no dearth of those. Suffice it to say that compared to the corresponding period of last year, the decline in production in the first two months of this year comes to five tonnes for butter, 248 tonnes for dairy products, 720 tonnes for laundry soap, and 242 tonnes for meat and meat products. Some 110,000 fewer square meters of carpet and carpet products and 296,000 fewer pieces of porcelain products were produced. The list goes on. How are we to reverse the situation? We think that it is necessary to either undertake reorientation of industries or perfect the banking system. It is not ruled out that other constructive ways out of the impasse exist. Who should show the initiative? Primarily, reorganization of the industrial sector is at issue. So far, market reforms have not affected it at all. This is how it happens that the ministries should act as helmsmen. However, the ministries work on anything at all except production. For example, the Ministry of Agriculture responded with absolute calm to a stoppage at enterprises in Gyandzha such as the confectionery plant, the meat combine, and the dairy combine. The same situation has emerged with the production of industrially manufactured construction materials. The management of the industry is unconcerned about the fact that finished products worth billions of manats have accumulated at the alumina combine. The same is the case at the instrument-making plant.

I will say this: The countless army of ministerial officials is of no use at all. Yet, they are good at harming all endeavors. I will give the following example. By a decree of the Cabinet of Ministers, the executive authorities of Gyandzha were authorized to dispose of 15 percent of the products manufactured at the enterprises of the city. We could bring in to Gyandzha many types of foodstuffs through barter transactions by taking advantage of this right. However, the ministries demand that we prepay the proportion of products which we could dispose of, but we do not have funds for these purposes "ahead of time." Our appeals to the heads of departments asking that they themselves provide foodstuffs to at least the day-care centers and hospitals reporting to them likewise produce no results. A vicious circle emerges. The answer is found in shortages, in the striving to make money off them, make it in any way possible. For example, overstocked warehouses at wineries, incidentally not only in Gyandzha, testify to this.

One cannot help getting the impression that such an economic situation suits some people.

[Abdullayev] How does the community of directors respond to this?

[Ibragimov] It tries to avoid mass unemployment. For our part, we support in every way possible all initiatives of enterprise managers aimed at offering new jobs and becoming self-sufficient in at least the basic necessities.

We also encourage the development of entrepreneurship and small businesses. These forms of activity that are new to us make it possible to provide jobs for many residents of Gyandzha. Suffice it to say that about 6,000 people work at small enterprises and in associations.

[Abdullayev] As we know, a slump in production, deficit, and inflation are always accompanied by mounting crime-generating tensions. We would expect that not everything is favorable on this score in Gyandzha, too.

[Ibragimov] You know, even earlier our city was one of the hot spots on the criminal map of the republic. The motives for and nature of crimes have now changed in a way. First, organized crime dominates. Second, if I can put it so, criminal entities have begun to penetrate industrial facilities, commercial structures, and banks. Moreover, they frequently attempt to control the activities of local authorities in the area of personnel selection. There are things for us to think over in this area. As is known, in the West organized crime controls only the criminal sectors of activity, such as prostitution, the drug trade, and gambling. In turn, our organized crime controls virtually all types of activities. This is associated with the fact that for a number of objective reasons, many facilities have in a way become criminal themselves. For example, in the environment of the severance of economic relations and absolute shortages, many enterprise managers are forced to resort to illegal means in order to obtain the resources necessary to fulfill production plans. This is how the initial knots of corruption are tied. Honest people also get caught in its nets against their will. For example, how are they to avoid the so-called "payola" which has become the norm when final products are sold? What kind of measures can one take given that the criminal elements intertwine with police organs and officials of all ranks? It is no secret that such intertwining endangers the political and economic development of our republic as a whole.

In Gyandzha we are particularly concerned about the growth in grave crimes. In the last 1.5 years alone, 83 premeditated murders were committed. Most of them occurred last year when many firearms were "making the rounds" in private hands. Owing to the measures taken, bursts of automatic weapon fire are no longer heard at night, but based on certain facts we can conclude that by far not all of the weapons have been confiscated.

[Abdullayev] However, the executive authorities are also responsible for order in the city....

[Ibragimov] Certainly. However, we are frequently at odds with the leadership of the republic's Ministry of Internal Affairs. Thus, a few months ago the chief of

airport police was relieved from his position by a decision of the city executive authorities. However, our petition on this issue still remains "unresponded to"—pardon me for unintended bureaucratism. All of this causes various false rumors. The most terrifying thing is that people lose their belief in justice.

[Abdullayev:] As is known, progress in society as a whole cannot depend on the welfare of all regions. This begs the question...

[Borjesson:] I understand. I think I will be expressing everybody's opinion if I say that we first of all need to put an end to the war by political means. It claims many human lives. In Gyandzha alone 350 families are in mourning; tens of thousands of refugees are in a hopeless situation. Putting it plainly, people are just tired. The republic budget is not standing up to the war, either. For this reason the citizens of Gyandzha, like an overwhelming majority of Azeris, entirely support the peace-loving policy of the president of our republic. Of course, we understand that not everything will fall into place, and not right away. However, we believe that even a bad peace will make it possible to refocus our attention on the implementation of reforms and the economic revival of Azerbaijan.

[Abdullayev:] We second your hopes. Thank you for the interview.

### Edict on Welfare, Economic Stability

*BAKUL' in Baku BAKINSKIY RABOCHIY in Russian*  
*27 June 1994*

[Republic of Azerbaijan presidential edict: "Measures To Increase Social Protection of the Population and Financial Stabilization of the Economy"]

[Text:] The increase in inflation and the decline in production have led in recent times to a lowering of the living standard of society and have exerted a negative influence on the financial state of the republic. This has been connected to a decisive extent with the inefficient use of the financial and credit resources of public enterprises and organizations, the unjustified increase in their turnover into nonstate structures, and the absence of precise mechanisms of the pursuit of a price policy and the regulation of wages and the currency market. All this is creating difficulties for the implementation of the program of market transformations and bringing about a growth of socioeconomic tension.

To increase social protection of the population and ensure financial stabilization of the economy I resolve:

1. To establish as of 1 June 1994 minimum remuneration at 2,000 manat a month.
2. To appoint as of 1 June 1994 for social and non-working retirees, students of day courses at higher educational institutions, and trainees of technical schools

and vocational-technical schools monetary compensation amounting to 1,500 manat, and for families with a per capita monthly income of less than the minimum wage times two, monetary compensation amounting to 750 manat a month per child 16 years of age and under. These sums of compensation shall be paid from the resources of the republic budget.

To consider lapsed in this connection the Republic of Azerbaijan presidential edict of 22 November 1993 "Payment of Compensation to Nonworking Retirees" and clause two of Republic of Azerbaijan presidential edict of 22 November 1993 "Supplementary Measures in the Field of Regulation of the Price of Bread and Bakery Products and Increased Social Protection for the Needy Strata of the Populace."

3. That the Republic of Azerbaijan Cabinet of Ministers shall implement the following system of anti-inflation measures to ensure financial stabilization in the economy:

as of 16 June 1994, increase the prices of energy and bread and hence forward review them not less than quarterly with regard to the rate of inflation;

within three days' time, make the corresponding changes, based on coordinated proposals of the Ministry of Finance and the Ministry of Labor and Social Protection of the Populace, to the uniform wage scale for workers and employees to prevent the formation of an appreciable gap between the remuneration of employees of the low-income and high-income categories;

prior to the end of 1994, suspend the construction of facilities financed from funds of the republic budget, except for projects of the current year that are close to completion, and adopt measures to ensure the safe preservation of these facilities;

reverse the decisions it adopted earlier on public enterprises being granted soft loans;

in interaction with the banks, adopt measures to ensure the public enterprises' repayment of credit within the established timeframe;

within two weeks' time, present proposals for the reorganization of the structure of the central organs of state administration in the direction of a reduction in their numbers and also a downsizing of staff and administrative-managerial costs, thanks to a reduction in the number of official motor vehicles included;

within 10 days' time, devise rules for the allocation of the resources of public enterprises and organizations on charitable purposes and introduce a precise mechanism of supervision to ensure that these resources be used as specifically intended;

within 10 days' time, confirm the maximum rate of use of the profits of public enterprises and organizations for wages;



in the necessary quantity to partially cover the budget deficit, provide for the manufacture and sale of government securities;

within a month's time, prepare and present proposals concerning a transition from the system of tax and nontax privileges for particular categories of individuals and legal entities to a system of monetary compensation for the socially unprotected strata of the populace;

ensure strict compliance with legislation on the registration and issue of a certificate to higher and secondary specialized educational institutions and adopt the necessary measures aimed at a reduction in the admittance of trainees to vocational-technical schools and of students to evening and correspondence departments of higher educational institutions funded from the state budget;

within a month's time, devise and present for consideration by the president of the Republic of Azerbaijan a concept for transition to insurance medicine and also proposals pertaining to its legal support.

4. That the Republic of Azerbaijan Ministry of Economics and the State Committee for Antitrust Policy and the Support of Enterprise shall intensify supervision of the formation of prices at public enterprises that are monopolies and systematically present to the Republic of Azerbaijan Cabinet of Ministers information on enterprises permitting a deviation from the market prices of the products (services) they manufacture (provide).

That the Republic of Azerbaijan Cabinet of Ministers shall adopt stringent measures against enterprise executives permitting such a deviation.

5. That the Republic of Azerbaijan Ministry of Finance shall:

within a month's time conduct an audit of the resources of public enterprises and organizations diverted into founder's and other contributions to the nonstate sector of the economy.

That the Republic of Azerbaijan Cabinet of Ministers shall provide for the adoption of specific measures for the more efficient use of these resources;

provide for the precise delineation of the republic and local budgets, broadening the independence of the local budgets with regard to the fuller use of levers of their formation;

with regard to inflation review quarterly in conjunction with the Main State Tax Inspectorate of the Republic of Azerbaijan the treasury tax receipt targets.

6. To propose that the National Bank of the Republic of Azerbaijan:

tighten the reserve requirements in respect to joint-stock-commercial and commercial banks and, with regard to the rate of growth of inflation, review quarterly the discount rate on centralized credit resources;

disallow the practice of the mutual off-setting of arrears between enterprises and organizations;

implement measures to terminate lending to enterprises and organizations with foreign currency assets;

adopt all measures to ensure the stabilization of the exchange rate of the manat and the regular operation of the Baku Interbank Currency Exchange. For this purpose authorize the National Bank of the Republic of Azerbaijan, following consultation with the president of the Republic of Azerbaijan, to use resources of the Stabilization Fund for restrained intervention in the interbank currency market;

provide in conjunction with the joint-stock-commercial agro-industrial and industrial-investment banks for their transition as of 1 July 1994 to a system of correspondent accounts to prevent the issue of credit not backed by resources;

adopt in conjunction with the Republic of Azerbaijan Ministry of Economics, the Republic of Azerbaijan Ministry of Finance, and the Republic of Azerbaijan Main State Tax Inspectorate measures to stabilize monetary circulation and reduce money issue by means of the establishment of a stimulatory deposit interest rate and regulation of the activity of the commercial sector in the sphere of monetary circulation.

7. For an increase in the efficiency of the use of public financial resources to propose that public enterprises and organizations switch to full credit-payment and cash service in joint-stock-commercial banks whose controlling block of shares is publicly owned. That the Republic of Azerbaijan Cabinet of Ministers shall implement urgent measures in this sphere.

8. To propose that the Republic of Azerbaijan National Assembly speed up the confirmation of the guidelines of the credit policy of the Republic of Azerbaijan for 1994 and the official program of privatization as an important means of economic and financial stabilization and the adoption of a law on property and other legislative instruments ensuring a legal basis for the transition to a market economy.

9. To commission the Republic of Azerbaijan Cabinet of Ministers and the Republic of Azerbaijan National Bank with presenting the Republic of Azerbaijan president with information monthly on execution of this edict.

[Signed] Geydar Aliyev, Republic of Azerbaijan president

Baku, 15 June 1994

## LATVIA

**Officials View Disposition of Facilities Left by Russian Army**

944K1319A Riga NEATKARIGA CINA in Latvian  
7 May 94 p.5

[Interview with Ilgonis Upmalis, Chief of the Bureau to Control the Withdrawal of the Army of the Federation of Russia, and Ludis Pavilonis, his deputy, by Viktors Berzins: "They leave. Facilities remain: The Russian army is leaving so briskly that the Latvian state cannot keep up with resolutions on the former army facilities."]

[Text] In summary, the number of resolutions by the government, which would determine the future ownership of the facilities, is unable to keep up with the number of acceptance and committal acts.

[Pavilonis] During its time, the Supreme Council passed a resolution stating that the Council of Ministers must review the case of each such facility and adopt a resolution on awarding it to either the municipality or some other party, all within a ten day period.

In practice, this cannot be done because the process takes too long. Before the Cabinet of Ministers adopts the resolution, the resolution bill must be written, in conjunction with the judicial division and other institutions. In total, about 10 to 15 signatures must be collected. When these and the archival reports are gathered, the case is reviewed by the appropriate committee of the Cabinet of Ministers, and if the latter finds that all of the documentation is in order, only then is it presented to the administration. In a meeting of the administration, the final resolution is adopted on the disposition of the facility.

[Berzins] Then a whole month would go by ...

[Pavilonis] Ye-es (drawing out the word)... You said one month? Now let's take a look at the list of facilities returned. For example, Cesis rayon, Sarkani, medical warehouses. Committal act—April 27, 1993. Administrative resolution—March 5, 1994. Almost one entire year! Naturally, it doesn't take this long for everything. Now, here is another entry: committal act—June 8, 1993, resolution by the Cabinet of Ministers—January 4, 1994. Half of a year. And there are more and more.

[Berzins] At such a rate, we will never get rid of the Russian army!

[Pavilonis] We are getting rid of the Russian army, because they are no longer in these facilities. The army says "so long" to those areas as soon as there is an acceptance and committal act.

[Berzins] What happens to the vacated facility during the time between the committal act and the adoption of the administrative resolution?

[Pavilonis] The municipality must provide protection to make sure that nothing happens, but it is not allowed to take over ownership. It cannot allow in a private organization, nor do anything else.

And what happens if the municipality has agreed to be the owner, but then some interested ministry turns up, which decides something as follows: Why should the municipality have it? We need it! We will turn it over to the municipality, then prepare a resolution to have it turned over to us. And they prepare and receive the resolution by the Cabinet of Ministers. Now the occupant selected by the municipality must be evicted. Can the municipality feel secure and confident? Although the Cabinet of Ministers is preparing these resolutions very slowly, they will be finished someday, and then—who will be the legal owner of the facility? There have been numerous precedents where the facility has been taken away from the municipality.

Now about protection. The municipalities are not paid for providing protection, and they must find the money from internal reserves. But, when the municipality is turned out of some facility, it says—We are removing our protection, but pay us for the period during which we provided protection.—But the ministries, in turn, have no money, and so they just don't pay.

[Berzins] What should be done to speed up the disposition of the former military facilities?

[Pavilonis] At the least, we should increase the number of members in the Ministry of Finances group that prepares the administrative resolution bills, so that we can catch up with the acceptance and committal acts. Naturally, this is impossible to do in ten days, since signatures cannot be obtained at such a rate, but let them attempt to do it in twenty days. Don't prolong it to a year.

[Upmalis] The next meeting of the commission led by Mr. Kosisis will be dedicated to a discussion on how to speed up production of these administrative resolutions.

In order to adopt a resolution, which will have a completely singular significance for the commission, and the administration, and so that there will be no basis for an argument by any entity, there must be clarity on what is under each facility; who owned the land? Has the owner submitted a claim? Who owned the facility built before 1940? All of this archival information is essential. Plus, we need the plans of the building or facility. In the beginning, while the military unit was still in there, they were impossible to obtain. Now, we have made an agreement with North West Military Group Commander Mayorov, and there are no longer any refusals. We even received them for the Maiznicas Street facility, which contains the counter-intelligence unit. It is a complicated matter to gather all of the archival information, to obtain the necessary documents from the Land and Property Reclamation commissions.

If it is absolutely certain that the land under a facility belongs to the municipality, then, naturally, the facility belongs to the municipality. If a mistake is made at the meeting of the administration, then this could lead to the curious event that the administration, by its resolution, gives the municipality's land to some ministry. Mistakes happen, many mistakes—because incomplete documentation is submitted.

Commercial organizations are very quick—using this to their advantage when they are interested in a certain facility. As you could say, they climb over corpses, with the help of false information, with various incomplete reports, to attempt and sometimes even succeed to establish the grounds for their claim. Municipalities are also guilty. And there are cases where all of the interested parties do not want to settle their claims in accordance with the law, and then the only way to clear up the confusion is by the prosecutor and the court.

There will be a "mad dash", there will.

[Berzins] Let us assume that the Russian army will leave by August 31. The majority of military units will probably prolong the turnover of the facilities as long as they can. The "mad dash", presumably, will occur in July and August...

[Pavilonis] Maybe there will be much more of a "mad dash" towards the end, but I can say that at present they are turning over their facilities on a somewhat regular basis. As soon as an area is empty, they draw up the acceptance and committal act: please, take it and do what you will. It is no longer the way it was at one time,—major discord: Mayorov was not signing the acts, Moscow was simply not allowing him to sign—the military unit area was empty, but it was not turned over. Now these matters are being handled promptly.

[Berzins] There is probably still a great deal left to settle.

[Pavilonis] Yes. There are still 191 Russian army units in 247 facilities in Latvia.

[Berzins] How many have been turned over this year?

[Pavilonis] Twenty-one units with 86 facilities.

[Berzins] Twenty-one units in four months. For the remaining four months—191. How can this be accomplished without a "mad dash"?

[Pavilonis] There will be a "mad dash", there will...

[Berzins] They will make a "mad dash", but they are most likely prepared for it. But are we, likewise, prepared to handle such a mountain of returned property? The facilities should at least be protected. And it will also be necessary to make determinations...

[Pavilonis] Up until now, if there was an owner, the take over and protection did not create any major problems.

[Berzins] But there can be no owner until the Cabinet of Ministers confirms one. But that grindstone is turning very slowly.

[Pavilonis] The Cabinet of Ministers is issuing resolutions out of turn for certain facilities that may be needed more quickly. But even so, the number of resolutions has not managed to keep up with the number of committal acts.

[Berzins] So, we already couldn't keep up when there were relatively few facilities turned over. What will happen when the "mad dash" starts and there are many facilities to take over and decide on? How can these be protected to avoid their destruction and demolition?

[Pavilonis] It is possible that illegal activities will occur. If some official wants to "screw" someone, he could say:—You are managing this property illegally, and I am suing you and throwing you out.

[Upmalis] The only positive thing is that for those facilities where the army unit is still present, likely owners have already appeared. As for what remains—I don't think there will be a problem with taking over facilities located in Riga. The major facilities—training grounds, airfields—have already been taken over. There is still the matter of Adazi and Dobeles, where the 25th brigade is situated. There is still the matter of "Strautini" in the Aluksne rayon, where a few complications will most certainly arise. There is also the 32 meter high radio-telescopic antenna in the Ventspils rayon, which has not been awarded to anyone, yet. In turning over this facility, we are looking for possibilities of better utilization and preservation, because it is so specialized and so far into the forest that it will be impossible for the municipality to preserve it. Discussions about this facility are being held with the Russian Scientific Academy about cooperation among scientists from Latvia, Russia and other nations, all united under of the "Kvazar" program. Although the problems are monstrous—this facility takes up 209 hectares of the forest, Latvian scientists do not have the strength to manage it, and the Russian side does not have the strength to organize and finance it, because, in order to prepare this facility for scientific purposes, the equipment must be changed. There are also high ranking officials in Latvia who would like to see this unique antenna turned into ashes and dust, because this is what some foreign services have supposedly recommended.

However, delays can be foreseen in the preparation of the administrative resolution bills. It will be a major job, and, in my opinion, after just one year, it is doubtful whether we will have all of the administrative resolutions in order for a property to be legally registered, etc.

*Insatiable ministries are swallowing up plans and priorities.*

[Berzins] Four years have already elapsed since Latvia declared independence. Soon, it will be three years since Latvia was recognized as independent. After half of a century, the foreign army is finally leaving, but only now, at the last minute, we are starting to worry about what to

do with the Latvian land and the buildings constructed on this land for military purposes. We are looking for owners. Haven't we composed any sort of comprehensive program?

[Pavilonis] There are no comprehensive programs. When the commission on the takeover of military facilities has examined the case agreed upon, the question may be raised: what do you intend to do in this facility? And this does not happen every time.

[Berzins] This question doesn't have to be raised? If no one else wants it, then just take it away?

[Pavilonis] Yes. But, if there is more than one contender, then each is asked what he intends to do there.

[Berzins] Is it possible that there are some good facilities that no one wants?

[Pavilonis] There are some. Then basically the Supreme Council's resolution is in effect that the municipality must provide protection.

[Berzins] Even if that means from now until eternity?

[Pavilonis] Let the municipality decide how to manage it.

[Berzins] But then it would manage everything which happened to be in its territory, as, for example, the cooperative and state cooperative farms, which appear to be unnecessary at present.

[Pavilonis] If no one wants to take over a facility, then the Russians could be requested to take down the facility and plant grass. A green meadow would be left behind.

[Berzins] Of course you can ask, but will they do it? And even if they would take it down, who will have the nerve to ask them, when everyone is celebrating that "Thank God! They're finally gone!" Let's keep them here, so they can dawdle with the demolition?...

[Pavilonis] In some cases, it was headed in that direction. The Ventspils military unit vacated the territory, but the Ventspils municipal government did not want to receive this territory, if it was not included as a property owner. However, this land belongs to the state.

[Berzins] It seems as though we have not had enough time to resolve these and other sticky questions. But then, while all details may not be worked out, we could at least form a general conceptual program...

[Ulmalis] Such a program has been very difficult, if not impossible, to set up because the ministries and municipalities have been so greedy. In the beginning, when these facilities were still very far from being turned over, all of the ministries presented their proposals and requested so many facilities that, when they reached the stage of actual takeover and examined them with their own eyes, they understood: the territory is enormously large, and they would have to pay taxes on it, and so, at the very last moment, they started to refuse these facilities.

And all of our plans—we had beautiful plans!—were gone with the wind. For example, the Ministry of Defense was given absolute priority, and some others were also given priority. But now, the Ministry of Defense has refused, on more than one occasion, to accept facilities, which have been turned over already, and now, we don't know what to do with these facilities. Like the Daugavpils fortress, for example, and that is not the only one. In the Naujene rural district, close to Daugavpils, there is also a military facility that was requested by the Ministry of Defense, but then refused. After that, the Ministry of Internal Affairs refused it. In the end, after this facility was already ransacked, when there was no longer anything there, it was graciously offered to the municipality. But Mr. Geiba said: "Nothing can be done there anymore, so we are also refusing to take it".

The point is reached that a facility literally goes to ruin because of irresponsibility. That is what happened with Vainode airport, as well. If they had not granted the request by the Ministry of Transportation to be assigned this facility, without asking the Ministry of Transportation what it wanted to do with the Vainode airport, then, in my opinion, it may have been possible to save this facility. Now it has been totally ransacked, and a large number of residential buildings stand empty and destroyed. It all looks very sad. That is what happens when a ministry agrees to accept something, but when it is necessary to start managing the property, it is unable to do so.

[Pavilonis] The saddest aspect is that the residential buildings remain uninhabited. We see and hear in Riga that many have no place to live. But, there, they have large five story buildings remaining empty and going to ruin.

[Berzins] The misfortune lies in that the Russians could not take them along, and we cannot take them to Riga. Nor to some city closer.

[Pavilonis] And why not. Vietumis does that: the construction company can take apart a large five story panel building, bring it closer to the city and "set" it up. I am not sure what this accomplishes, but at least the materials don't have to be assembled from scratch.

In Paplaka, already quite some time ago, the municipality inherited large residential buildings that were unwanted by everyone. They said:—We don't have anyone to put in them, because, for the majority, we have our own private homes.

*Private firms, fighting for a place in the sun, have a propensity for buying former military facilities from the Russian army.*

[Berzins] But you are saying that all types of illegal actions are occurring, court hearings, one company, wanting to get in, chases out another one, which happens to be there already...



[Upmalis] Some of the returned facilities have been bought up by firms, which none of the Latvian institutions have been unable to determine what type of company they are.

For example, what is Lat-West-East, which has purchased a petroleum base still containing an army unit from Russia, and the sales contract states that this army unit can remain in Latvia and on the firm's territory, until such time that Russia decides to remove its army from there. In such a case, who decides whether the Russian army can be present here in Latvia? The administration of Latvia, Russia, or the firm? And, unfortunately, we are unable to do anything concrete. The only thing was when members of this military unit, which is located in the Viesturs Prospect petroleum base, and is owned by Lat-West East, came to me and asked if I would please issue them driving permits for their automobiles, so that they could perform their routine activities, and I replied:—You sold your territory, and you no longer have any here.

There are very many similar occurrences.

Furthermore, it is still possible for firms to purchase a facility from the army, and backdate the sale. This is because it is still not down in writing that firms must register and notarize the contracts for the sale of these facilities.

If you are a military unit commander and you have a seal, and I am a firm representative and I have a seal, and we perform the sales transaction using sales checks, then we would have no problem concluding a document dated, for example, August 1, 1991.

If everything has been performed to the letter of the law, plus, if the firm at that time was registered in the Latvian Registry of Businesses, then, in my opinion, no Latvian legal institution will be able to prove that this was an illegal action.

There is another painful matter that I would like to focus attention on: various firms that manufacture firearms have turned up in Latvia.

I am still uncertain about the licensing of such firms. One has moved in to an army manufacturing plant, which remains unreturned. It has made the purchase from Russia, and in quite an unusual manner. As we know, all manufacturing plants in Russia are part of the State Property Fund (SPF). That is not a military structure. Thus, the firm has made its purchase not from the army, but from Russia's SPF. Thus, it would seem that SPF has property in Latvia, since it is able to make the sale.

With respect to the firm La Con, in the Daugavgriva fortress territory, which, according to our views, is not operating in conformity with the laws of Latvia, we have submitted materials to the prosecutor's office for review. Our bureau does not have the right to review—legally or illegally. We have not yet received the findings from the

prosecutor, although we have in our possession agreements concluded between the firm and the Latvian naval forces on the use of the facility for 15 years. The facility is assigned to the Ministry of Defense, but the naval forces have already managed to conclude an agreement with the firm, without organizing any competitions, which they should have done. Many firms have signed up for this Daugavgriva port territory.

[Berzins] What is the major attraction there?

[Upmalis] Undoubtedly, the port. Agreements have been concluded with the blessings of the commander of the naval forces without, as far as I can tell, coordination with the Ministry of Defense. We can "thank" Mr. Zeibots, Mr. Zingis and the rest of the leading workers for this. This is no surprise, because the firm has a high ranking "benefactor", who is in the practice of lobbying. He is Mr. Kaza, who is attempting to support this firm with all sorts of means. I have a list of its founders. It was founded by the tradition principle: at the forefront is a person of Latvian nationality, who is a citizen, and all the rest—people of Russian nationality. That is the traditional manner for companies. They say that the list of founders was later amplified with the name of Mr. Kaza.

I am most concerned in these cases, because they are not holding competitions on the basis of the business plan, as defined by the law.

This company, unfortunately, has taken down many major buildings which are still in unassigned territory.

I could mention many, many facilities for which the concluded actions will have to be reviewed by the prosecutor's office in time. This is because the documents concerning these actions, which we have available to us on the respective facility takeover, and those—most interestingly!—which the firms have not submitted, are, in our opinion, not too clean.

At one time, we had the plenary powers of the entire Council of Ministers, now we have only one—the plenary power of the Ministry of Defense, and that is too little for us to be able to control the conclusion of all these actions. We also do not have to right to use sanctions against firms that pursue illegal actions.

Often with the help of a high ranking person, they go around the bureau, and have various ministries do the resolving, in accordance with their own views.

The bureau is not involved with the takeover of facilities. The bureau is concerned with the control of facility takeovers—how they are turned over.

The commission led by Mr. Kosisis,—the commission on the takeover of military facilities from the military forces of the Russian Federation, can also only make

recommendations, and on the basis of such, the Cabinet of Ministers adopts resolutions on the utilization of such a facility.

*Only they understand*

[Berzins] Can we assume that the bureau has a complete picture of the Russian military units and military facilities still remaining in Latvia?

[Pavilonis] Yes. All have been accounted for and entered in the records. Nevertheless, there are times when some military unit shows up which is not in our records. Either it had been very well hidden, or was newly formed. That happened when the 15th Air Army Headquarters at 55 Brivibas Street was eliminated. The military personnel remaining in Latvia relocated to Skulte airfield, where a new military unit was formed. Such a trick had not been anticipated in our documents.

[Berzins] Do they come to you for driving permits?

[Pavilonis] Not only that. If, for example, officers need to cross the border, drive somewhere on official business, they come to us for a permit. Permits to relocate automobiles. To bring out property. In this manner, we learn that a new unit has formed. This has been a rare occurrence recently. Thus, we have to assume that all of the military units present in Latvia have been accounted for.

[Berzins] When did it become clear that everything was included?

[Pavilonis] Two years ago, when the bureau started its work, two thirds of the military forces were known. The remaining third was accounted for in six months time.

When we started working, all units present in Latvia were considered to be secret. The Russian army would not give any lists. When we could say: here you have such a military unit, there—that type, when we brought all ends together, only then did the veil of secrecy fall away. Recently they released a formerly highly secret document—a summary of how many military units have been in Latvia since 1940. And not only military units, but also equivalent units—institutions with various names which did not have a military unit number, but were simply issued a number. However, they have not admitted that the secret units with box office box numbers are theirs.

[Berzins] Then who do they belong to?

[Pavilonis] We are now trying to find out who started issuing post office box numbers for secret workshops and secret factories. Our bureau does not have extensive materials on the post office box factories.

[Berzins] But don't the factories exist? And what about their products?

[Pavilonis] The factories exist, but the products, which required the "post office boxes", have not been manufactured for a long time. There were secret workshops in

VEF, Komutators, the Liepaja agriculture machinery factory, and many other places. As soon as ownership of the All-Union factories was turned over to the Republic of Latvia, the manufacture of military products was discontinued.

[Berzins] Minor battles are being waged over the special military factories.

[Pavilonis] We have to find a compromise. If both sides refuse to budge from their positions, then the factory will be ransacked. The Russian army is secretly bringing out the major machinery. If they cannot manage to get it across the border, they sell it to some commercial concern, and the factory is left unable to function.

[Berzins] But maybe there is nothing wrong with bringing the machinery out. Let them do it in full force—there won't be anything for the followers of Interfront to rally behind. The Latvian army, most likely, will never have that many tanks to keep a factory busy doing repairs at full capacity for a whole growing season.

[Pavilonis] The factories that were not needed by Latvia were all low level and have already been eliminated. But there are also those, which can be utilized expediently, and which have relatively modern equipment. It is economically more practical to save them, instead of eliminating them.

[Berzins] But we already have factories standing, which cannot produce anything substantial. What good will it do to have additional factories?

[Pavilonis] While the products of Latvia's industries have remained in warehouses until now, none of the military factories have full warehouses. Everything was sold. Their products were not only for the needs of the military units, but also goods for their personal consumption. And, likewise, these did not remain in warehouses. They were either of better quality, or the management was more exacting in production, and issued only as many products as needed.

*Worthy, worthless.*

[Berzins] And nothing worthless will remain behind after the Russian army leaves?

[Upmalis] There are at least three bunkers, which we don't know how to utilize. One in Adazi, in Muceniekos—two. The 15th Military Air Army Force Command Point in Muceniekos and the North Western Military Group Commander's Command Point in Adazi. They are two to three story underground buildings, containing equipment which consumes a great amount of energy to maintain suitability for occupancy—pumping out underground water, etc. There is very high electrical consumption.

[Berzins] Let Mr. Mayorov take them along.

[Upmalis] We could allow him to do that. The demolition involves major problems. Likewise, with the bunker in Muceniekos—it contains enormous amounts of reinforced concrete, all covered by soil. Should we allow it fill up with water? That is dangerous—it could cause accidents. Blow it up and then bury it? Or maybe keep it as a historical monument and turn it into a tourist attraction.

Mr. Pavilonis, however, is very economically minded—these bunkers would be suitable for mushroom cultivation, because a constant temperature and humidity can be maintained in them. The problem is that there are many bunkers and only one vegetable farming company, Riga, which would not be able to manage everything. If only there were funds to install an appropriate boiler system—the one built by the army is too large to use for such purposes.

[Berzins] Aren't there also doubts about utilizing the formerly Baltic Military District, now North Western Military Group's *Pentagon* (read—headquarters—V.B.) building for Latvian army purposes—even though a huge quantity of all types of listening devices remain planted there?

[Upmalis] We will have a great deal of problems with it. But how can you compare listening devices with live KGB agents, who are employed by our leading firms?!

[Berzins] Our Saeima, with amazing sincerity and for a long time, has been occupied with the KGB sacks and the five deputies suspected of collaboration, while several hundred KGB staff members are living high off the hog.

[Upmalis] I personally know a person who admits that he worked for the KGB. Looking at the list of a certain firm's founders, he showed me names of people he had worked with. And this is a very famous firm's founders list. Thus, if these gentlemen have healthy, very powerful firms, then why talk about five Saeima deputies, who probably don't have the financial means to influence anything today. Such firms have much greater possibilities. Everyone knows that, but nothing is done about it. That is why we need a law on these KGB agents, which, I believe, we will have soon.

I like the position taken by Mr. Bojars from the very beginning: yes, I don't deny I was such, but now I work for the good of Latvia, and so, accept me for what I am. If everyone who worked there would come forward to confess, and regret his sins... Patriotism is not dependent on **where** a person worked, but, rather, on **how** he did his job, **what** he did in his place of work, and **how** he is acting at present.

[Berzins] The Pentagon on Elizabetes Street will probably leave at the very end of the withdrawal term.

[Pavilonis] The 15th Air Army Headquarters left, even though some of its military units were still here. We assume that the North Western Military Group Headquarters will do the same. In private conversations, they are saying that they won't be the last to leave their premises.

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